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CIVIL AERONAUTICS BOARD
REPORTS TO CONGRESS

FISCAL YEAR 1977 & transitional quarter

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"*Declaration of Policy: The Board*

"Sec. 102. [*72 Stat. 740, 49 U.S.C. 1302*] in the exercise and performance of its powers and duties under this Act, the Board shall consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity:

"(a) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;

"(b) The regulation of air transportation in such manner as to recognize and preserve the inherent advantages of, assure the highest degree of safety in, and foster sound economic conditions in, such transportation, and to improve the relations between, and coordinate transportation by, air carriers;

"(c) The promotion of adequate, economical and efficient service by air carriers at reasonable charges, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices;

"(d) Competition to the extent necessary to assure the sound development of an air-transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the Postal Service and of the national defense;

"(e) The promotion of safety in air commerce; and

"(f) The promotion, encouragement, and development of civil aeronautics."

CIVIL AERONAUTICS BOARD
REPORTS TO CONGRESS

FISCAL YEAR 1977 & transitional quarter

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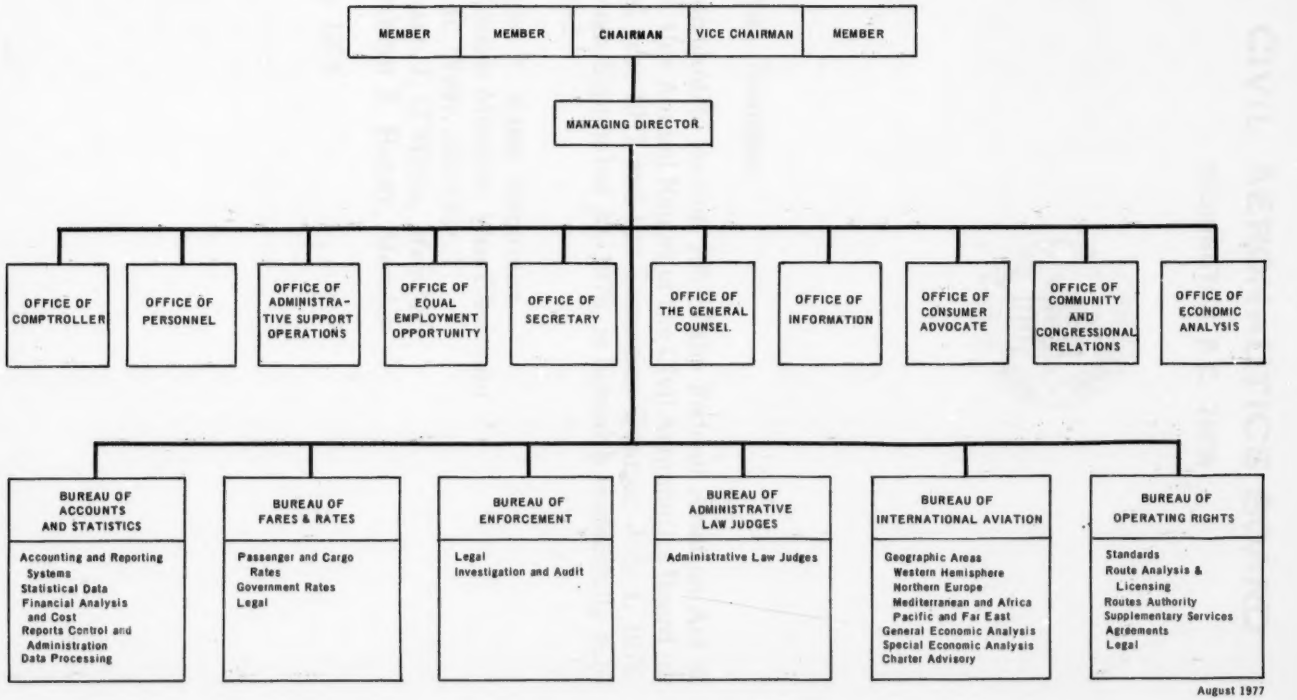

August 1977

CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

TO THE CONGRESS:

Pursuant to section 205 of the Federal Aviation Act of 1958, this Annual Report of the Civil Aeronautics Board for fiscal year 1977 and the Transition Quarter, July 1, 1976, through September 30, 1976, is herewith respectfully submitted.

ALFRED E. KAHN, *Chairman*
G. JOSEPH MINETTI, *Vice Chairman*
LEE R. WEST, *Member*
RICHARD J. O'MELIA, *Member*
ELIZABETH E. BAILEY, *Member*

May 1978

CONTENTS

	Page
HIGHLIGHTS: REVIEWING FISCAL YEAR 1977 AND TRANSITION QUARTER	1
ROUTE PROGRAM	6
Introduction	6
Applications and Formal Proceedings	6
U.S.-Flag International Authority	9
Low-Fare Route Cases	10
New Certification	10
Subpart K	13
Priorities for Hearing	13
Alaska	13
Informal Route Matters	14
Route-Related Studies	14
Denied-Boarding Reports	15
Charter Regulations	15
Supplemental Air Carriers	16
Air Freight Forwarders	17
Air Taxi Operators	18
Foreign Charter Carriers	18
Control and Interlocking Relationships	18
Intercarrier Agreements	19
Travel Agent Matters	20
RATE REGULATION	21
Domestic Passenger Fares	22
Domestic Cargo Rates	25
International Fares and Rates	28
Service Mail Rates	31
Military Rates	31
SUBSIDY	34
ECONOMIC ANALYSIS ACTIVITIES	37
Emergency Preparedness Activities	37
Committee Sponsored by the CAB	38
Interagency Committees Not Sponsored by the CAB	39

	Page
ECONOMIC ENFORCEMENT	40
Consumer Matters	40
Agreements and Antitrust	41
Charters	42
Cargo	42
Passenger Tariffs	43
Operating Rights	44
Accounting and Reporting Violations	44
ACCOUNTING AND REPORTING	47
Data Processing	53
CONSUMER ADVOCACY	56
COMMUNITY AND CONGRESSIONAL RELATIONS	63
COURT CASES	65
ADMINISTRATION	69
Key Personnel Changes	69
Organization Changes	70
Work Item Tracking System	72
Financing Board Operations	74
Money Returned to the Treasury	74
LEGISLATIVE DEVELOPMENTS	78
Legislation Enacted	78
Matters Presented to the Congress	78
INTERNATIONAL AIR TRANSPORTATION	80
Economic Situation	80
Bilateral Relations	81
Traffic Dimensions	88
Multilateral Relations	103
Actions Taken Under the International Air Transportation Fair Competitive Practices Act of 1974	105
TABLES	118

age
40
40
41
42
42
43
44
44
47
53
56
63
65
69
69
70
72
74
74
78
78
78
80
80
81
88
03
05
18

the board

ALFRED E. KAHN, *Chairman*
Appointed June 10, 1977
Current term expires December 31, 1982

G. JOSEPH MINETTI, *Vice Chairman*
Appointed June 1, 1956
Current term expires December 31, 1979

LEE R. WEST, *Member*
Appointed November 21, 1973
Current term expires December 31, 1978

RICHARD J. O'MELIA, *Member*
Appointed November 26, 1973
Current term expires December 31, 1980

ELIZABETH E. BAILEY, *Member*
Appointed August 8, 1977
Current term expires December 31, 1983

HIGHLIGHTS: REVIEWING THE 15-MONTH FISCAL PERIOD

This report covers fiscal year 1977 and the transitional quarter which preceded it—15 months in all. In the final quarter of the period the Board undertook a reorganization and reorientation of itself which, when its impact is fully felt, will produce an industry more promptly responsive to the workings of the marketplace, less tethered by regulations, and hence more responsive to the real needs of the public.

The Board believes that the public will be better served by a more open and competitive air transportation system, both domestically and internationally. Its aim has been to lighten, and in many areas remove, Government regulation from the industry.

The Board's program will allow freer entry into and exit from individual markets and greater pricing flexibility.

Reorganization

To accomplish its new goals, the CAB in the final quarter began extensive reorganization which was to continue well into fiscal year 1978.

In August 1977 the Board established an Office of Economic Analysis (OEA) and appointed Darius Gaskins as its first Director. It is to provide economic counsel to the Board in all its regulatory functions. This new economic staff offers analysis and advice without regard to the usual organizational compartments by which the Board's work has been categorized. Thus OEA did not displace the Board's Bureau of Economics, which was, however, renamed the Bureau of Fares and Rates (BFR). In a later phase of reorganization during the new fiscal year, most of BFR's responsibilities were merged with those of the Bureau of Operating Rights (BOR) into a new staff component, the Bureau of Pricing and Domestic Aviation (BPDA). By combining rate work in a single bureau with licensing the Board hoped to be able to ensure that its decisions in each area took account of their probable impact in the other. Michael E. Levine was named to head the new Bureau.

In September 1977 the Bureau of International Affairs was renamed the Bureau of International Aviation (BIA), Donald W. Farmer, Jr.,

was named to direct it, and the Board began to strengthen its international aviation program. BIA now participates in Board proceedings on all international aviation matters and has begun, like BPDA domestically, to treat routes, rates, charters, capacity all as interrelated parts of an aviation system. The Bureau participates in the definition of goals and objectives and develops negotiating strategies for international aviation agreements designed to provide the greatest possible benefit to the traveling and shipping public through the preservation and extension of competition.

Route Program

During the 15-month period under review, the Board started a large number of route cases, reducing the backlog of applications which went unheard during the route moratorium of the early seventies. Most involved the traditional issue: an alleged need for new and improved services, usually in competition with other services already offered in the markets. In some cases first single-plane service was at issue. The Board also set for hearing a number of applications raising novel questions; the offer of low fares by route applicants; the possible revitalization of Midway Airport in Chicago; the use of satellite airports for low-fare services; the certification of commuter airlines; and the entry of wholly new carriers into scheduled interstate air transportation.

The Board gave high priority to four major route cases involving low-fare innovations: the *California-Nevada Low-Fare Route Proceeding,* the *Miami-Luxembourg Low-Fare Route Proceeding,* the *Transcontinental Low-Fare Route Proceeding,* and the *Chicago Midway Low-Fare Route Proceeding.* The latter two cases focused on the question of whether wholly new interstate airlines should be authorized to provide low-fare services. *Chicago Midway* focused on proposals for significantly lower fares and will determine whether authority should be granted in six Chicago markets involving Midway Airport, which has been all but abandoned in recent years. We promised to issue a tentative decision by August 7, 1978. The *Transcontinental* case will require the Board to determine the need for low-fare transcontinental service as well as satellite airport service, as proposed by World Airways, a supplemental carrier, and several competing applicants.

Price Competition

During the 15 months ended September 30, 1977, U.S. airlines engaged in some of the most intense domestic and international price competition in their history. Encouraged by a more liberal Board, policies changed dramatically. They responded with a spate of imaginative, reduced fares, and for the first time, they began to experiment with new low-cost services. Carriers proposed deep discounts—based on marginal

cost pricing principles—for use during periods or in markets when flights were being operated with substantial numbers of empty seats. Using historical experience and advance bookings to help predict full-fare demand on a given flight, they are now able to design capacity-controlled fares so as to place discount-fare passengers in seats that would otherwise fly empty. Competition caused the discounts to spread to other carriers and additional markets. In some cases, the discounts—Super Saver, Peanuts, "Simple Saver," "Super Coach," "Super APEX," and "Budget," to name a few—were 30 and 40 percent below normal coach.

Change in Evaluating Fare Proposals

As costs continued to rise the carriers recurrently sought increases in normal fares. The Board altered in a major way its methodology for evaluating these proposals. It decided to consider anticipated costs, something it had previously declined to do. The carriers had contended in the past that repeated fare increases were their only means of maintaining pace with inflationary cost increases. But by its decision to accept anticipated costs the Board in effect opted for a trade-off it believed to be in the public interest—an immediate small increase in fares for a decrease in the number of time-consuming, costly, and confusing fare increases. The Board believed, too, that requiring the airlines to live with particular levels of fares for longer periods of time will have the immeasurable but practical effect of intensifying their incentives to hold down costs, because each carrier will benefit for a longer period if it succeeds and suffer for a longer period if it fails.

Opinions in Fare Cases

The Board also undertook a review of the ratemaking standards established in the *Domestic Passenger-Fare Investigation* to ascertain what changes were required in the basic approach to fare-making to accommodate new low-fare services. The net result of decisions in these rulemaking proceedings, as well as in the *Midway* and *Transcontinental* low-fare cases, will constitute an entirely new CAB statement on domestic fare policy.

International Fares

The Board continued to press for improvements in the structure of international fares and rates, and disapproved a number of proposals to increase normal economy fares and general cargo rates, which it believed were already carrying an unreasonably high portion of the carriers' overall costs.

In June the Board granted Laker Airways a foreign air carrier permit,

authorizing Laker's low-fare "Skytrain" service to begin between New York and London September 26. In response to Laker's low fare, several scheduled airlines proposed new standby, budget, and Super-APEX (Advanced Passenger Excursion) fares between New York and London. The fare responses evoked complaints from, among others, Laker, the supplemental carriers, and a number of tour operators. In a landmark decision the CAB ordered the Super-APEX and budget fares suspended but permitted the standby fare to go into effect. It expressed concern that Super-APEX posed a serious threat to the supplementals, historically the low-fare innovators on the North Atlantic. The Board said it was prepared to approve the budget fare if it were proposed at a slightly higher level. As originally proposed, it was identical in price to the standby fare which offered a somewhat lower quality of service. However, the President rejected the Board's order as inconsistent with the foreign economic policies of his administration and permitted all of the fares to become effective. He also urged the Board to give serious attention to revising charter flight rules so that charter services could be more competitive with the new low-fare scheduled services. Partly in response to the President's recommendation but also because of the Board's own longstanding concern for the competitive position of charter carriers, it proposed a rule after the close of the fiscal year to liberalize charters on an interim basis, applicable both internationally and domestically, where the recent proliferation of deeply discounted fares in certain markets might also pose a threat to charter operators' competitive ability. The Board planned to act expeditiously on the interim rule.

Subsidy, Enforcement

Subsidy payments under the Federal Aviation Act totaled $17.7 million for the transitional quarter and $78.4 million for the fiscal year 1977. The increases of $6.2 million from 1976 to 1977 went to the local service carriers and two regional carriers. Subsidy for the Alaskan carriers was static at about $4.3 million.

In economic enforcement during the 15-month period, the Board reoriented its priorities, doubling its efforts in the consumer area. Overall, the Board collected for the Treasury $583,550 in criminal penalties and compromise of civil penalties. The Board's Office of the Consumer Advocate handled significant increases in consumer complaints and requests for consumer information and, in its advocacy function, participated in approximately 50 docketed matters.

The Board in the Public Eye

During the final 6 months of fiscal year 1977, the press and general public had greater accessibility to the Board and its actions than at any

other time in its 39-year history. It has entered wholeheartedly into the spirit of conducting its business in public as required by the "Government-in-the-Sunshine" law and has conducted about 85 percent of its actions in public procedures. Among the exceptions are matters involving negotiations with other countries or matters which require action so immediate that it cannot be placed on the agenda the required 8 days in advance of a meeting. In addition, some matters, discussed earlier in open sessions, are voted on for final adoption by memorandums circulated among the Members to save time, provided there have been no major, substantive changes between public discussion and final vote.

With the concurrence of all the Members, the Chairman inaugurated a "CAB Monthly Report" which summarizes the Board's major actions and explains their impact on the public. The free report is being requested by a growing number of subscribers.

Many of the Board's actions have broken with longstanding tradition; they have had news value of varying degree. The volume and nature of resulting correspondence and telephone inquiries indicate the public is growing increasingly aware of the CAB and its role in shaping an air transportation system responsive to its needs.

ROUTE PROGRAM

INTRODUCTION

In response to airline applications for new or improved operating rights and requests for improved service filed by civic interests and airport authorities, the CAB has expanded its route program and accelerated its pace of work during the 15-month period under review. The Board started a large and increasing number of route cases, many of which have moved to advanced procedural stages. Most of them involve the issue of the need for improved services, both additional competitive and new air service. The Board also consolidated into investigations and set for hearing a number of applications based on offers of low fares and satellite airport service, and certificate authority sought by commuter carriers. Among the questions the Board must decide in these cases is whether it should authorize wholly new entry into scheduled, interstate air transportation.

Requests for route adjustments through nonhearing procedures also increased, except for suspensions. Mainly, these have been the requests of the trunk carriers for authority to realign their domestic systems.

The certificated airlines' favorable financial condition has encouraged the traditional program, which typically involves applications by existing carriers to provide first competitive service. Traffic growth was below the fiscal year 1976 level, but financial results both for local service and trunk carriers have improved more or less continuously during the 15-month period. This performance may be ascribed to a combination of factors, one of the most important of which is the fact that overall fleet size is now in equilibrium with the traffic level, and current fleet expansion is primarily to accommodate actual traffic increases. On the other hand, the new authority that carriers are seeking indicates that the industry is again looking toward route extensions which will inevitably accelerate the need for additional equipment.

APPLICATIONS AND FORMAL PROCEEDINGS

Carriers filed 271 applications involving operating authority. Sixty-five percent were concerned with additions to or modifications of exist-

ing certificates. The second largest class of applications was filings for new certificates by previously uncertificated carriers. They were followed closely by applications for United States-Canada/Mexico/Caribbean routes. The balance of the applications involved deletions, suspensions, or substitute service agreements and civic petitions seeking additional service. The following table details that information.

Route Authority Applications Filed July 1976–September 1977

Month	Deletions/ suspensions/ substitute service agreement	New or modified authority	New certificates	Subpart M and N	Trans-border authority	Civic petitions
1977:						
September	2	2			1	1
August	4	13	2		2	2
July		15	3	1	13	3
June	2	11	2		1	
May	1	12	4	2	5	
April		7	4		4	2
March	2	11	4			
February		13	7		1	1
January		13	3			
1976:						
December		17	3	2	1	
November		18	3		6	
October	3	7				
September		7	1			
August	1	8	1	1	1	
July	1	13		1		
Total	16	167	37	7	35	9
Percentage	6	62	14	3	13	3

The following table shows the major categories of route cases begun during the 15-month period and their procedural status at the close of fiscal year 1977. Most of those proceedings shown as decided by the Board were in progress at the beginning of the period.

Status of Route Cases

Case name	Docket No.	Awaiting hearing	Hearing completed	Decided	Type of issue
1. Service to Kamuela Case	31414	X			A
2. Pittsburgh-Los Angeles/San Francisco/ Denver Service Investigation	31413	X			A
3. Colorado Ski-Points Investigation	31400	X			C
4. Cincinnati-Cleveland Nonstop Route Proceeding	31311	X			A
5. Baltimore-Detroit Nonstop Proceeding	31212	X			A
6. Air Wisconsin Certification Proceeding	30823	X			C
7. California-Toronto/Montreal Case	30782	X			A
8. Caribbean Service Investigation	30697	X			A
9. Florida-Atlanta Competitive Nonstop Service Case	30679	X			A
10. Arizona Service Investigation	30635	X			C/D
11. Transcontinental Low Fare Route Proceeding	30356	X			B
12. Chicago Midway Low-Fare Route Proceeding	30277	X			B
13. Iowa/Illinois-Atlanta Route Proceeding	30182	X			A
14. West Coast-Alaska Investigation	30170	X			A

Status of Route Cases—Continued

Case name	Docket No.	Awaiting hearing	Hearing completed	Decided	Type of issue
15. Norfolk-Atlanta (Subpart M)	29058	X			A
16. Service to Brunswick and Savannah Case	30570		X		A/D
17. Atlanta-Charleston Competitive Nonstop Case	30309		X		A
18. Phoenix-Las Vegas-Reno Competitive Nonstop Service Proceeding	30055		X		A
19. Louisville Service Case	29968		X		A
20. Dallas/Ft. Worth-Western Mexico Route Proceeding	29790		X		A
21. Las Vegas-Dallas/Ft. Worth Nonstop Service Investigation	29445		X		A
22. Memphis-Twin Cities/Milwaukee	29186		X		A
23. Southern-TWA Route Exchange	29001		X		D
24. Lake Tahoe Service Investigation	29000		X		A
25. Sacramento-Denver Nonstop Proceeding	28961		X		A
26. Improved Authority to Wichita Case	28848		X		A
27. Additional Dallas/Ft. Worth-Kansas City Nonstop Service Case	28778		X		A
28. California-Alberta Route Proceeding	28196		X		A
29. Midwest-Atlanta Competitive Service Case	28115		X		A
30. Des Moines-Milwaukee-Phoenix Route Proceeding	28800		X		A
31. Seattle Gateway-Japan Investigation	28655		X		A
32. Eastern-Piedmont Route Exchange Agreement	28194		X		D
33. Eastern Montana-North Dakota Service Investigation	27840		X		A
34. Milwaukee/Duluth-Winnipeg	26354		X		A
35. Mackey Certification Proceeding	25540		X		C
36. Greenville/Spartanburg-Washington/ New York (Subpart M)	24778		X		A
37. Spokane-Montana Points Investigation	21448		X		A
38. Ohio-Indiana Points Nonstop Service Investigation	21162		X		A
39. Houston-New Orleans-Yucatan Route Proceeding	29789			X	A
40. Chicago-Vancouver Route Proceeding	29597			X	A
41. Ephrata/Moses Lake Deletion Case	29684			X	E
42. Service to Tri-Cities Case	29014			X	D
43. Five Year Suspension of Continental at Lawton/Ft. Sill	28744			X	E
44. Service to Hazleton Case	28443			X	D
45. Air Midwest Certification Proceeding	28262			X	C
46. Burbank-Phoenix Nonstop Service Case	28255			X	A
47. Buffalo-St. Louis (Subpart M)	28173			X	A
48. Shreveport-Dallas Nonstop Proceeding	28122			X	A
49. Service to Harlingen, Texas Case	28068			X	D
50. Hilo Service Case	28043			X	E
51. Memphis-Tampa (Subpart M)	27936			X	A
52. Delete Cedar City, Utah and Page, Arizona	27907			X	E
53. Detroit-Boston Nonstop Investigation	27758			X	A
54. Oakland-Las Vegas and Oakland-Phoenix Case	27464			X	A
55. Cincinnati-Washington (Subpart M)	24582			X	A
56. Hughes Airwest Los Angeles-Boise/Spokane Service (Subpart M)	24493			X	A
57. Oklahoma-Southeast Points Investigation	20421			X	A

Legend:
A—New or improved route authority
B—Low fare
C—Certification
D—Substitution of carriers
E—Deletion of service

U.S.-FLAG INTERNATIONAL AUTHORITY

The international cases undertaken by the CAB constitute a route program whose proportions and significance have not been approached since the immediate post-World War II period.

In July 1976 the Board transmitted its decisions to the President in two major area-type route cases, the *Transatlantic Route Proceeding* and *The Supplemental Renewal Proceeding.* The President approved the Board's pattern of international authority for the supplemental air carriers and returned without approval the scheduled service portions of the *Transatlantic Route Proceeding.*

The newly approved supplemental authority resulted in worldwide charter authority for World Airways and Trans International Airlines and worldwide authority, with the exceptions of Australia, Japan, and New Zealand, for Capitol Airways and Overseas National. Several smaller carriers received more limited supplemental authority. In the scheduled service area, the Board began new deliberations on the transatlantic route awards in the latter part of the fiscal period with the intention of transmitting a second decision to the President late in calendar year 1977.

The Board concluded the *South Pacific Service Case* with an award to Continental Air Lines of a new Los Angeles-Honolulu-American Samoa-Fiji-New Zealand-Australia route. The *Flying Tiger Transpacific Renewal Case* renewed Flying Tiger's authority and added Anchorage, Singapore, Indonesia, and Malaysia to its routes. Pan American received new transpacific cargo authority from Detroit, Chicago, and Seattle. In the *Seattle/Portland Gateway-Japan Service Investigation* an administrative law judge found in a recommended decision that no new authority was required in the Seattle-Tokyo market. The decision is subject to Board review.

The Board reconfirmed a major international route swap which removed Trans World Airlines from the Pacific. The Board approved the original agreement in January 1975, but the U.S. court of appeals in June 1976 vacated the Board's original approval on the grounds that the CAB had allowed the agreement to be in effect for a substantial period of time without holding hearings. The court allowed the Board 5 months to hold hearings on the matter and decide whether the evidence warranted approval of the agreement. The Board completed full hearings, received a recommended decision, and issued its order in 143 days.

The Board in April 1977 also instituted the *Caribbean Area Service Investigation,* a comprehensive review of U.S. carrier routes throughout the Caribbean.

Finally, a large number of transborder route matters were in progress during the fiscal period. These cases involved new routes to Canada and Mexico for U.S. carriers.

LOW-FARE ROUTE CASES

The Board instituted two investigations to determine, among other things, whether wholly new interstate airlines should be authorized to provide low-fare services.

One of them, the *Chicago Midway Low Fare Proceeding,* was instituted in December 1976. Further orders issued in May and August 1977 defined the scope of the case, which will focus on proposals for significantly lower fares and determine whether authority should be granted in six Chicago markets involving the use of Midway Airport, which has been all but abandoned in recent years.

Significantly, the Board specified that the case is to be completed by August 1978 and that the record is to be certified directly to the Board. The proceeding may well set basic Board policy on the questions of whether the Board should authorize new route authority in part because of low-fare proposals; the degree to which service at secondary airports should be encouraged to ease congestion at overcrowded main facilities; and whether new carriers should be authorized to provide interstate service.

In the other of these cases, the *Transcontinental Low Fare Route Proceeding,* the Board will determine the need for low-fare transcontinental service, as well as satellite airport service, as proposed by World Airways, a supplemental airline. The Board also will hear the competing applications and proposals of other carriers on a comparative basis. The case was set for hearing in January 1977, and the Board issued orders defining the scope of the proceeding in January and June 1977.

As fiscal year 1977 ended the Board was considering whether to hear the application of Pacific Southwest Airlines, a California intrastate carrier, to provide low-fare California-Nevada service.

NEW CERTIFICATION

Six applications for initial scheduled service certificates, other than the low-fare proposals discussed above, were in various procedural stages. All involved commuter carriers seeking certification, some with eligibility for Federal subsidy. This commuter certification combined with the low-fare certification proposals represented the highest level of new scheduled service certificate processing since the late 1940's.[1]

Late in 1976 the Board certificated a new carrier, Air Midwest, to serve the terminal points Denver and Kansas City and nine communities in Colorado and Kansas formerly served by Frontier Airlines. In granting the authority, the Board established a novel certificate restriction which limits subsidy to only those operations conducted with small

[1] During the 15-month period of this report, the Board continued to hear deletion/suspension applications, some of which included the suspension of a certificated carrier and replacement of service by a noncertificated commuter carrier. See table on p. 12.

aircraft. This condition is intended to focus the carrier's attention on small community operations, thereby making the airline a small community specialist, and to prevent a repeat of the ever larger equipment cycle experienced by the local service airlines, to the detriment of both the small communities and the Federal taxpayer.

The Board also instituted the *Arizona Service Investigation* to consider the initial certification of Cochise Airlines and Sky West Aviation at 16 communities in Arizona, California, and Nevada. Both applicants are commuter carriers proposing to operate on a subsidy-eligible basis with small aircraft. All exhibits in the case were filed at the close of this 15-month report period, and hearing began the first week of fiscal year 1978.

Another matter under consideration was the *Mackey Certification Proceeding,* which was instituted and went to hearing. The case involved applications for new certificates by Mackey International Airlines and Rich International Airways. Mackey is currently a large commuter carrier; Rich is a small certificated all-cargo supplemental carrier. Mackey seeks scheduled authority from points in Florida to various points in the Caribbean, while Rich has applied for scheduled all-cargo authority only. Unlike the other cases involving non-low-fare initial certificate applicants under processing during this report period, the two applicants propose operations with large aircraft.

The last case involving new entry was the *Air Wisconsin Certification Proceeding.* This case involves initial certification of Air Wisconsin, the Nation's third largest commuter carrier, at nine cities in six Midwestern States. Air Wisconsin has asked that its authority be ineligible for subsidy. By the end of the fiscal period all exhibits had been filed, and the case was about to go to hearing before an administrative law judge.

Chronological Listing of Air Carrier Suspensions and Commuter Air Carrier Replacements Approved July 1, 1976–September 30, 1977

Certificated carrier	Commuter air carrier	Point(s)	Docket No.(s)	CAB order	Date	Duration
Ozark	Britt Airways	Galesburg and Sterling/Rock Falls, Ill.	28945	76-8-72	August 15	7 years
Hughes Airwest	Sun Basin Airlines	Ephrata/Moses Lake, Wash.[1]	26383	76-8-113	August 20	Until 60 days after final decision in docket 29684
Hughes Airwest	Cascade Airways	Wenatchee, Wash.[2]	26383	76-8-113	August 20	5 years
Frontier	Metro Flight Airlines	Paris, Tex.[3]	24875	76-10-150	October 29	Until regularly scheduled commuter air service is terminated
Hughes Airwest	Cochise Airlines	Prescott, Ariz.	25183	76-11-20	November 4	1 year
Allegheny Airlines	Air North	Glens Falls, N.Y.[4]	28357	76-11-91	November 16	Until 60 days after final decision in docket 29627
National Airlines	Air Sunshine	Key West, Fla.[5]	22396 28499	76-11-142	November 29	Until Dec. 29, 1978, or until the termination of agreement CAB 21946-A3, whichever shall first occur
Texas International	Royale Airlines	El Dorado/Camden, Ark.	30628	77-5-3	May 2	7 years
Allegheny Airlines	Henson Aviation	Hagerstown and Salisbury, Md.[6]	30686	77-6-26	June 7	10 years beginning Nov. 15, 1977
Continental Airlines	Rio Airways	Lawton/Fort Sill, Okla., and Wichita Falls, Tex.[7]	28744	77-6-31	June 8	5 years
Hughes Airwest	Sky West Aviation	Cedar City, Utah, and Page, Ariz.	27907 27908	77-6-61	June 10	3 years

[1] Originally approved by order 74-4-119, Apr. 23, 1974, with Cascade Airways as the replacement carrier. In March 1977, Cascade replaced Sun Basin as the replacement carrier. Orders 77-9-138/139 suspended, without replacement, Ephrata/Moses Lake on Airwest's certificate effective on Oct. 5, 1977 (docket 29684).

[2] Renewal. Original suspension granted by order 74-4-119, Apr. 23, 1974.

[3] Originally approved by order 70-11-25, Nov. 5, 1970, with Sedalia, Marshall, Boonville Stage Line as replacement carrier (although Frontier never fully suspended service at Paris). Order 76-11-137, Nov. 29, 1976, suspended Frontier at Paris without replacement for a 3-year period and deletes the point from its certificate effective Dec. 1, 1979.

[4] Renewal. Original suspension granted by order 75-11-62, Nov. 18, 1975. Order 77-5-32, as amended by order 77-6-47, suspended Glens Falls, without replacement, effective June 24, 1977.

[5] Originally approved by order 70-12-149, Dec. 27, 1970, with Southeast Airlines as the replacement carrier. In February 1976, Air Sunshine replaced Southeast as the replacement carrier.

[6] Renewal. Original suspension at Hagerstown granted by order E-25834, Oct. 13, 1967, and at Salisbury by order 69-5-27, May 8, 1969.

[7] Replacement service was never implemented because Continental terminated its agreement with Rio (order 77-8-42).

SUBPART K

The Board proposed major changes in subpart K of part 302 of its Rules of Practice in Economic Proceedings. Subpart K deals with the Board's standardized method for costing airline service proposals in route cases. The uniform method makes it possible to analyze competing applications on a comparable basis, thereby substantially reducing the cost and time involved in litigation.

Under the proposal, the methods of computing two important elements of airline costs—servicing (indirect) expense and return on investment—have been changed. The changes reflect principally (a) substitution of a practical "functional account" approach in computing servicing expense for the multiple regression analysis previously used and (b) use of experienced average aircraft life rather than full life in computing investment requirements. Both of these changes make subpart K more consistent with other costing methodologies used by the Board while retaining needed simplicity. The rule changes, issued as PDR–46 (docket 30631), have received generally favorable public comments. A final rule was expected to be issued early in fiscal 1978.

PRIORITIES FOR HEARING

The Board issued a proposed rulemaking, PSDR–45 (docket 30123), designed to govern the selection of route applications for hearing. A large number of new applications have severely taxed the Board's hearing case resources and made it imperative that traditional methods of selecting cases for hearing be improved so that the most meritorious applications are given priority. The Board received public comments on the proposal. At year's end a final rule was in preparation.

ALASKA

The Alaska air traffic boom occasioned by the pipeline project has diminished markedly and traffic has leveled off, but traffic levels remain high and most of the Alaskan carriers appear to be financially sound. With respect to route matters previously pending before the Board, the *West Coast-Alaska Investigation,* docket 30170, was set down for hearing, and part 298 of the Board's Economic Regulations was amended, permitting air taxi and commuter carriers to operate aircraft up to 30 seats or 7,500 pounds payload.

Emergency action connected with the pilot strike of Wien Air Alaska enabled essential services to continue. The Board approved an extensive subcontract agreement between Wien and Munz Northern Airlines, with Munz to operate bush services on behalf of Wien in the Kotzebue area. At hearings in Anchorage, the Board presented a new plan for bush service in Alaska to the Senate Committee on Commerce,

Science and Transportation, Subcommittee on Aviation. The plan would guarantee a reasonable level of air service to all Alaskan communities, with subsidy support if necessary.

INFORMAL ROUTE MATTERS

During the 15-month period, the Board completed action on 422 applications for informal authorizations of various types. The Board gives informal route applications (nonhearing proceeding) a high priority to assure that route modifications which will improve service to the public and reduce carrier costs and fuel usage are effected without undue delay.

ROUTE-RELATED STUDIES

The CAB published three editions of the costing handbook, *Local Service Air Carriers' Unit Costs.* The data covered the 12 months ended March 31, 1976, September 30, 1976, and March 31, 1977. The publication is the Board's and the industry's chief costing reference in route proceedings.

The Board also released two editions of *Commuter Air Carrier Traffic Statistics,* which summarize data for over 200 commuter air carriers who provide service to the Nation's smaller communities. The reports covered the years ended June 30, 1976, and December 31, 1976. Selected data on commuter traffic for the calendar years 1975 and 1976 are shown below:

Commuter Air Carrier Traffic, Calendar Years 1975 and 1976

Quarter	No. of carriers[1]		Passengers	
	1975	1976	1975	1976
First	135	149	1,613,047	1,714,342
Second	136	153	1,660,727	1,855,596
Third	145	149	1,802,979	1,969,467
Fourth	133	129	1,589,491	1,765,591
Year total	165	174	6,666,244	7,304,996
			Cargo (lbs.)	
First	143	159	34,724,920	51,540,278
Second	142	157	40,951,221	56,335,184
Third	146	152	45,063,462	55,665,406
Fourth	143	130	48,463,841	51,258,762
Year total	176	183	169,203,444	214,799,630
			Mail (lbs.)	
First	65	91	37,753,018	43,459,618
Second	67	89	40,113,374	32,823,403
Third	75	66	43,583,690	17,663,791
Fourth	80	54	43,231,961	14,649,712
Year total	90	102	164,682,043	108,596,524

[1] Number of carriers reporting the traffic data shown for each quarter and year.

Source: CAB forms 298–C, schedule T–1.

In addition, three reports summarizing local service carrier enplanements, by airport, in the years ended June 30, 1975, December 31, 1975, and June 30, 1976, were published. Reports on trunkline carrier enplanements for the years ended June 30, 1975, and December 31, 1975, also were released.

The Board also published a report entitled, *A Profile of Airline Service in the 48 Contiguous States,* June 1, 1975. The study is an update of a widely circulated earlier study covering May 1, 1973, service and contains comparative population and enplanements data for the 592 communities receiving service by certificated and commuter carriers in the 48 States.

DENIED-BOARDING REPORTS

Statistics summarizing the numbers of passengers denied confirmed space and the rates per 10,000 enplanements for each carrier were summarized in the *Passengers Denied Confirmed Space* reports covering the years ended December 31, 1975, June 30, 1976, and December 31, 1976. In calendar year 1976 the total number of passengers reported denied boarding in domestic markets was 133,204, compared to 120,686 in 1975. The industry denial rate per 10,000 enplanements in both years was 7.0. In international service 9,958 passengers were reported denied boarding in 1976, up from 9,862 in 1975, but with a 7.4-percent increase in enplanements the rate dropped from 7.9 per 10,000 enplanements in 1975 to 7.4 per 10,000 in 1976.

CHARTER REGULATIONS

During this 15-month report period, the Board adopted its most liberal charter regulation, the Advance Booking Charter (ABC). As a result, the total number of charter filings increased substantially. Among types of charters previously authorized, the number of One-stop-inclusive Tour Charter (OTC) filings and Inclusive Tour Charter (ITC) filings rose slightly, taking the extended report period into account. The number of Travel Group Charter (TGC) filings decreased markedly, however, as many charter operators transferred their programs from this mode to the more easily marketed ABC. A summary of filings under the four regulations by fiscal year shows the following:

Type of Charter	1975	1976	1977 *
ABC	.....	.....	1,363
OTC	.....	1,142	1,582
ITC	416	398	554
TGC	353	468	138
Total	769	2,008	3,637

* Includes the 15-month period July 1976–September 1977.

In May 1977 the Board expanded the definition of North American charters to include the countries of Central America for Travel Group and One-stop-inclusive Tour Charters and reduce the advance purchase time and minimum duration requirements for U.S. and Central American TGC's and OTC's. In August 1977 the Board removed a restriction from the OTC charter rule which had previously prevented the offer of rental cars as part of the OTC package. Also in August, but effective September 30, the Board amended its rules governing TGC's, Study Group Charters, and Inclusive Tour Charters to reduce to 20 seats the minimum size for split charters transported on aircraft with 80 or fewer seats. This conformed these split charter rules with those that apply to ABC's.

In addition, in September 1977 the Board decided to eliminate the 15- to 30-day advance purchase requirement of OTC's. This action will allow charter operators to sell their OTC's until the date of departure, increasing the marketability of these charters. Finally, the Board began considering further liberalization of its existing charter rules, in light of the increased competition between charters and some deeply discounted scheduled service fares.

SUPPLEMENTAL AIR CARRIERS

As of September 30, 1977, a total of 10 U.S. supplemental air carriers held certificates of public convenience and necessity.

In January 1977 the Board decided the *Supplemental Renewal Proceeding*. In that proceeding, existing supplementals received expanded passenger/cargo charter authority, and a new carrier, Rich International Airways, Inc., received a limited supplemental certificate.

The question of granting supplementals transatlantic cargo charter authority is being considered in the *Transatlantic Cargo Service Case,* which the Board instituted in April 1977 (docket 30789).

In fiscal year 1977 the Board instituted and completed the *DOD Contract-Eligible Certificate* case, which granted supplemental authority to two new carriers, Southern Air Transport, Inc., and Zantop International Airlines, Inc., to perform domestic military cargo charters for the Department of Defense. Rich also participated in the case and received the same authority.

The Board also set for hearing the application of World-Jet, Inc., d.b.a. Silvas Air Lines, for a certificate to perform passenger and cargo supplemental transportation. Hearing on the application was held in September 1977.

The certificated areas of authority of the supplemental air carriers are as follows:

	Domestic U.S.	Canada	Mexico	Caribbean	Central and South America	Transpacific	Transatlantic	Worldwide military	Domestic military cargo only
Capitol Int'l Airways, Inc	X	X	X	X	X	X	X	X	
Evergreen Int'l Airlines, Inc	X	X	X	X				X	
McCulloch Int'l Airlines, Inc	X	X	X	X				X	
Modern Air Transport, Inc	X	X	X					X	
Overseas Nat'l Airways, Inc	X	X	X	X	X	X	X	X	
Trans Int'l Airlines, Inc.[1]	X	X	X	X	X	X	X	X	
World Airways, Inc	X	X	X	X	X	X	X	X	
Rich Int'l Airways, Inc.[2]		X	X	X	X				X
Southern Air Transport, Inc									X
Zantop Int'l Airlines, Inc									X

[1] In November 1976 Trans International acquired Saturn Airways, Inc.

[2] Between any point in Florida and Georgia, on the one hand, and points in Canada, Mexico, the Caribbean Sea, and Central America, on the other, limited to cargo charters.

AIR FREIGHT FORWARDERS

Combined domestic and international forwarder revenue from air freight forwarding in calendar year 1976 was $1.0 billion. Over that period, air freight forwarders increased the tonnage they consolidated from 987,236 to 1,030,032 tons and increased net profit to $65,198,000.

Approximately 37 percent of all air freight traffic received by interstate U.S. airlines is air freight forwarder traffic, while 12 percent of all air freight received by U.S. international airlines is tendered as air freight forwarder traffic. The summary below reflects the development of air freight forwarding.

Air Freight Forwarder Industry

[Dollars in thousands]

Calendar year	Authorized air freight forwarder companies	Consolidation in tons	Revenues	Expenses	Operating profit*
1967	145	350,129	218,603	214,649	3,954
1968	171	465,793	270,241	265,701	4,540
1969	195	598,755	390,993	386,727	4,266
1970	212	730,342	483,787	473,971	9,816
1971	240	728,297	556,552	557,971	−1,419
1972	262	854,687	654,096	643,870	10,226
1973	314	945,068	817,977	801,727	16,250
1974	338	982,787	1,019,589	1,000,342	19,247
1975[1]	349	987,236	1,013,176	974,456	38,719
1976[1]	366	1,030,032	1,180,933	1,115,673	65,198

*Before taxes.

[1] Represents data published by Cargo Economics, Inc., for top air freight forwarders only.

Applications pending June 30, 1976	71
Applications received	125
Operating authorizations granted	109
Applications dismissed or denied	13
Applications pending September 30, 1977	74
Total authorized air freight forwarders	384
Forwarders holding both domestic and international authorizations	244
Domestic authorization only	66
International authorization only	74

AIR TAXI OPERATORS

As of the end of fiscal year 1977, a total of 3,535 air taxi operators (noncertificated air carriers) were registered with the Board, 200 of which were classified as commuter air carriers. The latter category includes carriers which either transport mail or perform scheduled passenger or cargo services.

The Board also issued 16 exemptions during the 15-month period to air taxi operators to use "large aircraft" in certain areas or markets.

Effective November 5, 1976, the Board amended its regulations to raise the aircraft size and weight limitations applicable to air taxis in the State of Alaska to the higher level currently applicable to air taxis in the 48 contiguous States and the territories (30 seats and 7,500 pounds' payload or less). In January 1977 the Board instituted a rulemaking proceeding to also raise the aircraft size and weight limitations of air taxis in the State of Hawaii to the higher level.

In a May 1977 rulemaking proceeding, the Board asked for public views on the need to certificate commuter air carriers now operating under an exemption from the certification provisions of the Act.

FOREIGN CHARTER CARRIERS

During the past 15 months, the number of foreign air carriers authorized to conduct charter operations only to and from the United States continued to grow. The Board granted eight permits to new carriers.

There are currently 113 foreign charter-only carriers, all with authority to engage in planeload charters between the United States and their respective homelands. Most of the carriers have been authorized to operate inclusive tour charters, many hold limited cargo charter authority, and some have been authorized to operate charters to the United States from countries other than their homelands.

The number of requests for off-route charter authorization by foreign route carriers and requests for permits to conduct noncommon-carriage flights are summarized in the following table:

Number of requests for—	Fiscal year				
	1973	1974	1975	1976	1977[1]
Noncommon-carriage flight permits	259	332	172	198	190
Off-route charter permits	1,255	1,054	885	837	[2]582

[1] Because of the change in the beginning of the fiscal year period to Oct. 1, the figures for fiscal year 1977 encompass the period July 1, 1976, through Sept. 30, 1977.

[2] On Oct. 27, 1976, the Board granted 45 foreign route air carriers a blanket statement of authorization to perform off-route charter flights for a period of 1 year (order 76-10-119). This blanket authorization, in effect, relieved the foreign carriers from obtaining flight-by-flight authorization for their off-route charter operations, as currently required under the Board's regulations. Issuance of this authority accounts for the significant decrease in the number of off-route charter permits issued in fiscal year 1977 as compared to fiscal year 1976.

CONTROL AND INTERLOCKING RELATIONSHIPS

The Federal Aviation Act prohibits certain control and interlocking

relationships unless they have been approved by the Board. During the year the Board acted on 110 requests for approval of such relationships. Board actions ranged from full evidentiary hearings to summary orders granting exemptions permitting the relationships to exist.

Among those actions were cases involving the corporate reorganization of certain certificated air carriers (Braniff, Flying Tiger, and United) to permit their diversification into businesses other than air transportation. In monitoring such diversification, the Board applied guidelines established in its decision in the *Air Carrier Reorganization Investigation,* docket 24283 et al., to ensure that resources were not being siphoned from the air carrier which would endanger the carrier's ability to perform its certificate obligations.

Progress continued in the *Institutional Control of Air Carriers Investigation,* docket 26348, which is an inquiry into the relationships between certificated air carriers and financial institutions that are airline stockholders, creditors, or lessors of airline flight equipment. The Board recast the proceeding into an informal preliminary inquiry and at the close will determine what further procedural steps, if any, are required. In February 1977 the Board requested documents and other information from 74 respondents, including airline banks, insurance companies, airframe and engine manufacturers, brokerage houses, lessors, and investment bankers. The responses to that request were virtually completed by September 30, 1977.

In deciding the *Long-Haul Motor/Railroad Carriers Air Freight Forwarder Authority Case,* the Board renewed for 10 years the air freight forwarder authority held by various long-haul motor and railroad carriers and ended the Board's monitored-entry program for those carriers.

In deciding the *Air Freight Forwarders' Charters Investigation,* the Board concluded that it should place no special restrictions on domestic chartering, that it should eliminate existing special restrictions on overseas and foreign chartering, and that no restriction should be placed on joint loading.

INTERCARRIER AGREEMENTS

Certain types of agreements between air carriers and other carriers must be filed under the Act and approved or disapproved by the Board in the public interest. Approval of an intercarrier agreement conveys antitrust immunity to the parties.

Many of these agreements are resolutions adopted by the members of the air carrier trade associations establishing uniform procedures for handling interline passenger and cargo traffic. Recognizing the effect of these trade association resolutions on travel agents and others, the Board required the Air Traffic Conference of America, the domestic air carriers' trade association, to open its meetings to permit presentations by nonmembers on matters of concern to them. In another action, in

response to strong opposition by U.S. supplemental air carriers, the Board disapproved an International Air Transport Association (IATA) proposal to admit charter-only air carriers to membership.

Agreements having an industrywide effect are also executed outside the scope of the major trade associations. For example, the Board approved a complex agreement (Supplemental Compensation Plan—Warsaw Convention) increasing the liability limits of air carriers for personal injury or death in international air transportation. Also, the Board's concern about agreements which restrain competition was reflected in its denial of an agreement which would have permitted carriers to join together in a single negotiating unit to deal with so-called sole-source suppliers of aviation equipment.

The CAB also authorized industrywide discussions among air carriers on various subjects where it appeared that the ultimate result might improve the quality of the Nation's air transportation system. At fiscal year end the Board was considering a carrier request for authority to hold industry discussions on the development and purchase of the next generation of aircraft. Another authorization, granted late in the year, permitted carriers to discuss matters addressing improved transportation services for handicapped persons.

TRAVEL AGENT MATTERS

The Board becomes involved in the activities of travel agents because of its responsibility under the Act to pass on certain types of intercarrier agreements, including those which affect the air carriers' working relationships with their appointed sales agents. A matter of major significance was the Board's decision to examine, in a full evidentiary hearing, the need for uniform travel agent commissions in international air transportation, instead of a system where commissions are determined by market forces. Other Board decisions having an impact on the travel agent industry included approval of carrier agreements relating to agent selection and retention standards, agent bonding requirements, and matters involving procedural due process for agents. The Board also approved pilot projects permitting joint carrier/agent efforts to test the feasibility of an industrywide, computerized reservation system.

RATE REGULATION

In the 15-month period ended September 30, 1977, U.S. air carriers engaged in some of the most intense domestic and international price competition in their history. In February 1977 Texas International Airlines, a local service carrier, proposed an off-peak "peanuts" fare, to be available in selected short-haul markets and only during periods when aircraft seats were readily available. American Airlines soon followed with a "Super-Saver" fare between New York and Los Angeles/San Francisco. This was a promotional fare with discounts from the normal coach fare of from 35 to 40 percent, depending on day of travel. The Board ordered investigations into both of these fares, but permitted them to become effective. Thereafter, discounts became more widespread as competing carriers either matched these proposals or initiated promotional fares of their own. Before long, other reduced fares—"Simple Saver," "Super Coach," "Super-APEX," and "Budget"—proliferated across the Nation and the North Atlantic.

While discount-fare activity was increasing, the airline industry simultaneously began to show signs of a general economic recovery, although it was too early to ascertain the effect on the carriers' earnings of the various discount fares. For the year ended June 30, 1977, the latest period for which data were available, the trunk and local service carriers had a total net income of $467 million compared to $183 million for the prior year. Although actual passenger load factors were not quite as high as the year before, break-even load factors showed a marked decline, particularly among the trunk carriers, where it fell 2.4 points. Despite a substantial gain in net income, the carriers' corporate return on investment remained well below the Board's 12-percent standard. Operating expenses for the trunks and locals continued to climb, increasing 11 percent in absolute terms and 5 percent on an available-ton-mile basis for the year ended June 30, 1977. Productivity, on the other hand, was progressively better for each quarterly 12-month period, with a 4-percent increase in revenue ton-miles per airline employee by the end of June 1977.

DOMESTIC PASSENGER FARES

During the 15-month period, the carriers were still unable to bring their operations into balance with standards adopted by the Board for ratemaking purposes. As a result, the substantial difference between their actual rate of return on investment and that which the Board recognizes for ratemaking purposes had continued. Consequently, as was the case in fiscal year 1976, the carriers repeatedly sought fare increases in each of their domestic ratemaking entities, as shown in the following table.

General Fare Increases

Effective date	Proposed increase (percent)	Board action
48 States:		
July 1, 1976	2.0	Suspended
September 15, 1976	2.0	Permitted
December 15, 1976	2.0	Suspended
February 15, 1977	2.0	Permitted
May 15, 1977	2.0	Suspended
June 23, 1977	0.7	Suspended
July 18, 1977	0.7	Permitted
August 15, 1977	0.8–1.3	Permitted
September 15, 1977	1.8–2.0	Permitted
Mainland-Hawaii:		
September 15, 1976	5.0	Suspended
November 1, 1976	4.5	*
January 1, 1977	2.0	Permitted
June 15, 1977	2.0	Permitted
September 9, 1977	2.0	Suspended
48 States-Alaska:		
March 1, 1977	3.0	Suspended
Mainland-San Juan:		
August 15, 1976	1.6	**
January 11, 1977	2.9	Permitted
May 15, 1977	3.0	Permitted

* Suspended increase in normal fares, permitted increase in promotional fares.
** Permitted for New York-San Juan only.

During this period the Board, in a major alteration of its methodology for evaluating fare-increase proposals, decided to consider anticipated costs, something it previously had declined to do. This change in policy is directly attributable to the carriers' frequent fare-increase proposals. The carriers contended that repeated fare increases were their only means of maintaining pace with inflationary cost increases.

By its decision to accept anticipated costs, the Board has in effect opted for a trade-off that it believes is in the public interest—an immediate small increase in fares for a decrease in the number of time-consuming, costly, and confusing fare increases. The Board also believes that requiring carriers to live with particular levels of rates for longer periods of time will have the immeasurable but practical effect of intensifying their incentives to hold down costs, because each carrier will benefit for a longer period if it succeeds and suffer for a longer period if it fails.

Carriers' pricing policies changed dramatically during the 15-month period of this report. Encouraged by a more liberal Board fare policy, they have responded with the variety of greatly reduced fares cited earlier, plus others such as "Simple Saver," and "Super-No Frills." Also particularly noteworthy is the fact that for the first time the carriers are beginning to experiment with new low-cost services. One airline has now initiated low-fare services using specially configured aircraft having many more seats than are normally available in its coach service. Another has a similar proposal pending.

The airlines continue to place emphasis on capacity-controlled fares. Using historical experience and advance bookings to help predict full-fare demand on a given flight, the carriers are better able to slot discount-fare passengers in seats that would otherwise be flown empty, which is the primary purpose of discount fares.

The following table shows that the carriers' average yield per revenue passenger-mile for the year ended March 31, 1977, reflecting the actual mix of coach and first-class traffic, increased by 9.4 percent over the prior year. This was due to the fact that, during the review period, the carriers were eliminating many discount fares while at the same time seeking regular passenger-fare increases to offset inflationary pressures. Even with this improvement the percentage increase in the carriers' yield, by the year ended March 31, 1977, remained well below that of the Consumer Price Index for the same period.

Average yield per revenue passenger-mile, by class of service, domestic operations of the domestic trunks, scheduled service, calendar years 1967 to date

	Average yield per passenger-mile (cents)		Percent increase over comparable 1967 period		
Period	Coach	Actual mix	Coach	Actual mix	Consumer Price Index (all items) 1967 = 100
1967	5.12	5.50			100.0
1968	5.11	5.45	(.2)	(.9)	104.2
1969	5.35	5.70	4.5	3.6	109.8
1970	5.42	5.75	5.9	4.5	116.3
1971	5.81	6.10	13.5	10.9	121.3
1972	5.86	6.16	14.5	12.0	125.3
1973	6.10	6.38	19.1	16.0	133.1
1974	6.94	7.24	35.5	31.6	147.7
1975	7.04	7.35	37.5	33.6	161.2
12 months ended—					
March 31, 1976	6.96	7.26	36.9	32.0	163.8
June 30, 1976	7.12	7.43	39.1	35.1	166.2
September 30, 1976	7.30	7.62	42.6	38.5	168.4
1976	7.48	7.79	46.1	41.6	170.5
12 months ended—					
March 31, 1977	7.63	7.94	49.0	44.4	172.9
Quarter ended—					
March 31, 1976	7.23	7.56	36.4	32.9	167.1
June 30, 1976	7.40	7.73	42.9	39.0	169.2
September 30, 1976	7.45	7.72	48.7	48.2	171.9
December 31, 1976	7.84	8.17	50.8	46.4	173.8
March 31, 1977	7.87	8.19	48.5	43.9	176.9

During fiscal year 1977, the Board issued opinions in the *Hawaii Fares Investigation* (docket 25474), *Night Coach Fares Investigation* (docket 26510), *Hawaii Senior Citizens Fares* (docket 27612), and the *Domestic Common Fares Investigation* (docket 27350).

Among the Board's findings in its *Hawaii Fares* opinion were that (1) second-class fares should not exceed the fully allocated costs of second-class service based on the seating configuration standards adopted in Phase 6A of the *Domestic Passenger-Fare Investigation* (DPFI) (docket 21866–6A) and a 62-percent load factor; (2) that first-class fares should be set at a minimum of 188 percent of second-class fares; and that third-class fares should at least reflect the cost savings associated with third-class service. The Board also found that promotional fares should be allowed, provided they are neither discriminatory nor predatory. The Board is considering requests for reconsideration of its policy on discount fares as well as various other aspects of its opinion.

In the *Night Coach* case, the Board found reduced fares for night coach service reasonable at a discount of 20 percent from the normal day coach fares, thus basically affirming the administrative law judge's initial recommendations. Various restrictions were prescribed to avoid diversion from day coach services.

The Board found in *Hawaii Senior Citizens* that senior citizen standby fares proposed by Hawaiian Airlines, Inc., were unjustly discriminatory and should be canceled. The Board concluded that there were no economic factors that justified the discrimination inherent in these fares. In so doing, the Board applied the equality-of-treatment rule mandated by the courts that fares available only to certain classes of persons are prima facie unjustly discriminatory in the absence of compelling economic justification.

In its *Domestic Common Fares* opinion, the Board found fares to domestic common-fared points unlawful with the exception of certain contiguous metropolitan areas such as Baltimore/Washington. In accordance with that decision, fares between the major east coast-west coast gateways have been changed to reflect the actual mileage traveled rather than an artificial common mileage.

The Board added various new rate investigations to its list of pending cases. These include the *American Airlines, Inc. "Super-Saver" Fares Investigation* (docket 30616); the *"Peanuts" Fares Proposed by Texas International Airlines, Inc.* (docket 30555), investigation; the *Midway Low Fares Route Proceeding* (docket 30277); and the *Transcontinental Low-Fare Route Proceeding* (docket 30356). At issue in these cases are low-fare proposals designed by incumbent carriers to fill otherwise unused seats in the first two cases and by new certificates of public convenience and necessity in the last two proceedings. These two cases are among the most important policy proceedings now pending before the Board and are being expedited for that reason. Proceeding to hearing

phase was the *Alaska Fares Investigation* (docket 29198).

In addition to the number of formal hearing cases currently in process, several important rulemaking proceedings were initiated during the fiscal period. The staff is currently reviewing the domestic ratemaking standards established in the *Domestic Passenger-Fare Investigation* (DPFI) to ascertain what changes should be made in the basic approach to fare-making to accommodate new low-fare services.

One part of the DPFI ratemaking mechanisms, the load-factor standard, is currently under consideration in a separate rulemaking proceeding. Since load-factor standards were originally established, the character of the airline industry has changed significantly, particularly in the escalation in the price of fuel. The objective of this proceeding is to determine whether current standards remain reasonable or whether they should be changed.

Another current rulemaking addresses the Board's discount fare policies for ratemaking purposes to determine whether the profit-impact analysis now used to determine the reasonableness of discount fare filings is sufficient or whether some other process is more appropriate. The net result of decisions in these rulemaking proceedings, as well as in the *Midway* and *Transcontinental* low-fare cases, will constitute a completely new Board statement on domestic fare policy.

DOMESTIC CARGO RATES

In the 15 months ended September 30, 1977, the Board permitted a number of freight rate increases to compensate for the continuing escalation in operating costs, particularly fuel and labor. But it suspended some proposals for increases where the proposed levels resulted in rates exceeding the industry average costs of providing the service. In addition, carriers introduced various discount rates which the Board allowed to go into effect in order to attract to air transportation traffic currently moving via surface modes and to permit the airlines to better utilize unused capacity. Among these were daylight general commodity rates and specific commodity bulk and container rates involving such commodities as wearing apparel, seafood, office machines, and vegetables. One of the chief rate reductions involved the introduction of M-1 container charges subject to a minimum tender of 45,000 pounds per shipment. These proposed charges, subject to a provision permitting the mixture of 47 different commodities, resulted in a 25-percent discount below current single M-1 container general commodity charges. Although the Board permitted these charges to become effective, it set them for investigation. The net result of this activity during the report period was that freight yields increased 4 percent for the trunk carriers and over 6 percent for the all-cargo carriers.

Door-to-Door Rates

The CAB also permitted a carrier to introduce door-to-door "parcel express" rates. This service generally provides, at a premium, guaranteed next-day or second-day delivery for shipments limited in size to 108 inches in combined length, width, and height, and a maximum weight of 70 pounds. The service is subject to a flat charge regardless of distance, although the charge increases with size of shipment, and a refund of 50 percent of the charge, should the carriers fail to deliver the shipment on the guaranteed day. The Board also permitted the carriers to establish a rule that enables them to substitute smaller containers for larger containers at the latter's rates, when such larger containers are not available for loading. This service is advantageous to shippers, allowing alternatives for containers not available at various origin points, and provides the carrier flexibility in supplying containers.

The Board suspended certain liability rules filed in response to the decision in the *Liability and Claims Rules and Practices Investigation* (docket 19923). The Board stated that, while these provisions were rejectable, rejection would have disrupted other provisions deemed beneficial to the shipping public. Consequently, the Board ordered modifications to achieve conformity with the *Liability* case, and the carriers made these modifications promptly.

Also suspended were several air carrier and air freight forwarder proposals that would have restricted the acceptance of live animals and articles of extraordinary value. The Board asserted such provisions were in conflict with the carriers' obligations under the Federal Aviation Act to furnish transportation and thereby placed an undue burden on shippers.

Carrier Discussions

The Board allowed the carriers to enter into discussions concerning the administration of the dimensional weight rule. The carriers requested authority to discuss effective compliance with the current tariff rules, since the airlines were not applying this rule consistently. However, it disapproved agreements establishing interline priority air freight service. The Board based its disapproval on the carriers' failure to provide for guaranteed interflight transfers on specific flights. The Board scheduled for hearing during late October the *Priority Reserved Air Freight Rates Investigation*, docket 26838. Priority Reserved Air Freight is a service that provides for guaranteed reserved space on a specified flight schedule for which the shipper pays a 30-percent premium above the otherwise applicable general or specific commodity rate. This premium is refundable if the carrier fails to furnish the guaranteed space.

The Board recently instituted a major proceeding in the *Hazardous Articles Rules and Practices Investigation*, docket 31044, covering the

entire hazardous articles tariff and certain rules and surcharges relating to such articles. In instituting it, the Board stated that, since such airline requirements are more restrictive than DOT regulations, they may deny shippers transportation to which they are lawfully entitled.

In its decision in the *Domestic Air Freight Rate Investigation* (docket 22859), the first overall review of domestic air freight rates since 1948, the Board, generally speaking, concluded that the goal for air freight should be a system of rates that will permit the carriers to recover the costs of their service, but that rates need not be entirely cost based. Toward that end, the Board determined the cost of basic air freight carriage and determined that basic air freight rates should not exceed the level needed to cover these costs. The Board rejected various proposals to prescribe a zone within which all domestic air freight rates would be found reasonable, but it determined that below-cost rates should be permitted which cover industry average noncapacity costs. In the area of the rate structure, rates will be evaluated on the basis of a multielement formula in which price and cost-causative factors are more closely related. Rather than basing freight rates strictly on weight and the mileage traveled, the price charged for a given quantity of air freight will reflect consideration of the number of shipments, the number of pieces in the shipment, its content, and even its size. The Board indicated that the carriers could continue to use weight breaks so long as they were based on the multielement rate structure. Reduced rates are permitted for containerization. Existing rates which were inconsistent with the basic cost and structural policies were found unlawful, and lawful rates were permitted that conformed with the conclusions reached in the decision. The decision also considered various of the rules and conditions under which air freight is shipped, found some of them unlawful, and prescribed the lawful rules in their place. The Board ordered carriers to reduce rates above the prescribed ceiling in 180 days, and gave them a year to increase any discount rates below the prescribed floor and bring other tariff provisions in line with the Board's decision.

Finally, the Board's decision in the *Rules and Practices Relating to the Acceptance and Carriage of Live Animals in Domestic Air Freight Transportation* (docket 26310) determined that while the duty of airlines is to transport all animals, which they are equipped to handle safely and humanely, certain standards of acceptance are lawful. Some of the lawful acceptance standards are those which (1) permit carriers to reject hostile animals, (2) establish time-of-tender provisions, (3) establish packaging, feeding and watering, and health certificate standards. The Board ruled that the carriers could not establish rules which exclude snakes, establish piece/weight restrictions, and require that animals be carried on a space-available basis. Department of Agriculture standards for treatment of live animals were relied upon to a con-

siderable extent in reaching these conclusions. Specifically, USDA and carrier regulations dealing with the same subjects were compared, and those less protective than the USDA rules were rejected. The decision also concluded that a separate proceeding should be instituted to consider imposing a notice on airbills that terms and conditions of carriage must be filed in tariffs.

INTERNATIONAL FARES AND RATES

The Board continued to press for improvements in the structure of international fares and rates, and disapproved a number of proposals to increase normal economy fares and general cargo rates, which the Board believed were already carrying an unreasonably high portion of the carriers' overall costs. In the ongoing *North Atlantic Fares Investigation* (docket 27918), the Board is making a detailed economic analysis of scheduled service fares in that market in an effort to develop valid long-term guidelines and standards.

International Passenger Fares

The International Air Transport Association (IATA) carriers failed to reach an agreement on North Atlantic fares covering the November 1976–March 1977 winter season, but filed individual tariffs extending shoulder season fares into the winter, thus eliminating the low winter season fares. The Board suspended those tariffs insofar as they increased normal economy fares, but the district court overturned the order. The Board generally approved a later IATA agreement covering the year beginning April 1, but again disapproved increases in normal economy fares.

In June the Board granted a foreign air carrier permit authorizing Laker Airways' innovative, low-fare "Skytrain" service between New York and London, which began operating on September 26. In response to the Laker low fare, several scheduled service carriers proposed new standby, budget, and Super-APEX fares for use between New York and London to compete with the Laker service. This evoked numerous complaints from, among others, Laker, the supplemental carriers, a number of tour operators, and the Department of Justice requesting that these competitive fares be suspended on grounds of predation. Oral argument on the various contentions was heard on September 7, 1977, and on September 16, in a landmark decision, the Board issued an order suspending the Super-APEX and budget fares but permitting the standby fare to go into effect.

In its order the Board stated it was concerned that the Super-APEX fare posed a serious threat to the viability of the supplemental carriers which, historically, had been the low-fare innovators across the North Atlantic. The budget fare was believed to offer a higher quality, more attractive service than the standby, but at the same price, and the

Board indicated it was prepared to accept such a proposal if offered at a slightly higher fare level.

On September 26, however, the President rejected the Board's order as inconsistent with the foreign economic policies of his administration and permitted all fares to become effective. The President stated that if the scheduled carriers' low fares were shown to have a detrimental effect on the supplemental carriers he would consider a suspension of the rates at that time. The President also urged the Board to give serious attention to revising the present rules governing charter flights so that these services would be more competitive with the new low-fare scheduled services.

In the North/Central Pacific, the Board approved increased fares based on revenue need, but refused to allow increases in normal economy fares and some of the higher level excursion fares for, generally, the same policy reasons the Board has pursued in the Atlantic. Continuing problems related to non-IATA carriers and illegal discounting, as well as divergent government actions, delayed implementation of many of the approved fare increases to almost the end of the fiscal year. In the South Pacific the Board disapproved fare increases since the carriers had not demonstrated sufficient need. The Board did, however, allow a 1.8 percent pass-through of increased fuel costs. Finally, the Board instituted the *Pacific Common Fares Investigation* (docket 30938) to look into the practice of common-rating U.S. west coast gateways with respect to Pacific fares.

The Board approved cost-based fare increases in the Western Hemisphere area, but as in other geographic areas, disapproved increases in normal economy fares and excursion fares which were found to be excessive. In some markets, such as the U.S. west coast-Mexico, no increases were approved because carrier earnings were already adequate under existing fares.

The Board issued its opinion in the *North Atlantic Charter Transfer Rules Investigation* (docket 29773) in which it found unlawful the proposed charter transfer rules of Pan American and TWA. As filed, these rules would have permitted the transfer (at prevailing charter rates) of passengers from charter flights to seats aboard scheduled aircraft on routes over the North Atlantic. The Board concluded that a charter transfer rule could be in the public interest but that the proponent of the rule (Pan American) had not met its burden of proof to show that such an arrangement would not decrease the convenience of scheduled service as measured by the availability of first-choice reservations. Whether or not such a program may eventually be approved is one of the issues in the Part Charter Phase of the *North Atlantic Fares Investigation*, in which the economics of various part charter programs are being evaluated.

In *U.S.-Mexico Passenger Fares Proposed by Western Air Lines, Inc.*

(docket 28146), the Board declined to permit a 6-percentage-point increase in Western's mainland United States-Mexico passenger fares. The fares were under suspension at the time the decision was issued. The Board concluded that after ratemaking adjustments, the proposed increased fare would provide Western with a rate of return on investment in excess of the 12-percent standard which the parties had agreed upon for the purpose of the case.

At the same time the Board issued its *Transfer* rules decision, the *Category Y Fares Investigation* (docket 28096) was considering the lawfulness of charging round-trip military charter rates for scheduled service provided as a substitute for canceled military charter contracts. At year's end, the Board was reviewing an initial decision which held the fares unlawful.

In the area of overseas air transportation, an initial decision finding existing United States/Hawaii-Pago Pago fares lawful was issued in the *Pacific Overseas Fare Investigation* (docket 28004). The decision also found discount youth and family fares but not student fares unlawful for Pago Pago/Trust Territory markets. The Board is reviewing the initial decision.

International Cargo Rates

In December 1976 the Board approved a North Atlantic IATA cargo agreement which appeared to represent significant progress in rate structure reform as envisioned by the Board. However, the agreement did not cover traffic to and from the United Kingdom, and when British Airways introduced cargo "contract rates," the IATA agreement collapsed. Although the Board suspended British Airways' contract rates on grounds of unjust discrimination, the carrier continued to use them until enjoined by court action. At the same time, the Board permitted other low rates, which offered the promise of generating significant new traffic without any discriminatory implications, to become effective pending investigation. At the end of the fiscal year, British Airways refiled its contract rates and the Board again suspended them until such time as the U.S. Government is assured that the U.S. carriers will be able to offer viable competitive alternatives. The Board also was proceeding with its investigation in the *Cargo Charter Transfer Case* (docket 27557), in which Seaboard World Airlines has proposed to carry charter-rated traffic on scheduled service aircraft across the Atlantic.

In the North/Central Pacific, the Board approved portions of an IATA agreement which proposed lower general cargo rates, but disapproved those portions which proposed higher rates for cargo tendered in containers. At the same time, the CAB supported the efforts of non-IATA carriers to offer low container rates reflecting measureable cost savings, but none of the proposals became effective, because of the insistence of some foreign governments that all carriers reach agreement on the rates to be charged.

SERVICE MAIL RATES

The hearing in Phase 2 of the *Domestic Service Mail Rate Investigation* (docket 23080–2) was completed in September 1975. In October 1976 the administrative law judge issued his initial decision, which the Board has decided to review. The Board heard oral argument in March 1977 and targeted its decision for the first quarter of fiscal year 1978.

This complex case involves the establishment of service mail rates for 24 certificated carriers and about 25 air taxi operators on and after March 28, 1973, the date the U.S. Postal Service inaugurated containerized mail services. The case also will examine the feasibility of a simplified procedure under which final mail rates can be revised periodically without a formal proceeding. Temporary domestic service mail rates were fixed in January 1974 to give effect to increased operating costs. In October 1974 and December 1976 these rates were further increased to provide for fuel cost escalation. In August 1977 the Board denied the local service carriers' request for increased temporary rates based on the administrative law judge's initial decision.

Reeve Aleutian Airways petitioned in March 1976 for an increase in its intra-Alaskan service mail rates to cover overall cost increases incurred since the establishment of its then-existing final rates, and increased final service mail rates were established by the Board in September 1976. Kodiak-Western Alaska Airlines petitioned for increased intra-Alaskan service mail rates in January 1977, and the Board established increased final service mail rates, which became effective in March 1977.

During the third and fourth quarters of fiscal year 1977, both Hawaiian carriers filed petitions for increased intra-Hawaii service mail rates, which are currently being processed. Completion of these cases is anticipated early in the second quarter of fiscal year 1978.

The hearing in the *Transatlantic, Transpacific, and Latin America Mail Rates Investigation* (docket 24687) was completed in January 1976. In March 1977 the administrative law judge issued his initial decision, which the Board decided to review. The Board heard oral argument late in September 1977. Final decision in this case may not be reached until the middle of fiscal year 1978. In October 1974 the temporary international service mail rates were increased retroactively to March 1974 to provide for the precipitous rise in fuel costs, and again in February 1975 to reflect overall increases in cost levels that had occurred since the rates were established in 1969. In May 1975 the carriers petitioned for further increased temporary mail rates to include the elements currently reflected in the Universal Postal Union rate. The Board denied the request in October 1976.

MILITARY RATES

In June 1976 a joint petition by nine participating carriers was filed

requesting the Board to initiate a rulemaking proceeding and to institute a full-scale review of the current final minimum rates for Military Airlift Command (MAC) foreign and overseas military charters which the Board established in January 1975. The carriers also requested that the Board fix increased final rates, under established interim final rate procedure, pending completion of the review.

In July 1976 the Board simultaneously initiated an investigation and established increased interim final rates. It adopted a notice of proposed rulemaking in March 1977. By May 1977 the filing of comments on the proposal was completed. The Board expected to establish final minimum foreign and overseas MAC rates during the first quarter of fiscal year 1978.

The volume of MAC foreign contract operations for the 15 months of this report totaled $203 million compared to $159 million in fiscal year 1976. Almost all of the increase, $40 million, represents contract operations performed during the transitional quarter.

The domestic MAC rates fixed in July 1976 have continued in effect through fiscal year 1977. The volume of MAC domestic contract operations for this 15-month report period was $77 million compared to $51 million in fiscal year 1976. Sixteen million dollars of this $26 million increase represents military contract operations performed during the transitional quarter.

The Board granted Reeve Aleutian Airways an exemption from section 403 of the Federal Aviation Act of 1958 to permit it to continue carrying military passengers between certain points within Alaska on scheduled services in accordance with MAC contracts during fiscal year 1978.

Fuel continued to be a significant item of cost and concern in the adequacy of MAC rates, although to a somewhat lesser degree than in the past. The Board continued its surveillance of fuel price fluctuations reported in detail by the carriers on a monthly basis, and it maintained a quarterly program of fuel surcharge rate adjustments. In December 1976 with fuel prices more stable, the Board revised its procedures so that international fuel surcharge amendments would be issued only on an ad hoc basis when the latest month's reported weighted average fuel price per gallon differs by 1 cent or more from that reflected in the current minimum rates. Almost all of the fuel consumed in domestic MAC services is obtained from military sources. Accordingly, in February 1977 the Board provided for automatic fuel surcharge adjustments to the minimum rates for Logair and Quicktrans domestic MAC charters based on changes in military fuel prices established by the Defense Supply Agency.[1]

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[1] *Logair* is an Air Force contract freight airlift service confined to domestic operations. The contracts are made between MAC and various air carriers and the service generally involves charter freight carriage on a scheduled basis between numerous military installations. *Quicktrans* (for "quick transportation") is a Navy contract freight airlift service similar to Logair.

In October 1973 in view of the financial distress of some U.S.-flag carriers and their need to conserve fuel, the Board granted exemptions to the U.S. scheduled carriers for Category Y services, permitting the carriage of military charter passengers on scheduled flights at the military round-trip charter rate. This substitution service, allowing elimination of contracted charter flights, was successively authorized on short-term bases despite strong controversy as to the long-run economic merits. When the authorization was further extended through fiscal year 1976 by tariff filings by Northwest Airlines and Pan American World Airways, the Board determined that an investigation of the Category Y rates was warranted, and it set the matter for hearing in July 1975. Subsequently the Board extended the authorizations to perform the substitution services under then-existing tariff provisions until final decision is reached in the *Category Y Fare Investigation* (docket 28096). An administrative law judge heard the case in June 1976 and issued his initial decision in October 1976, finding that the tariffs were unjust and unreasonable and should be canceled. On review of the decision, oral arguments were heard in May 1977. The Board's final decision in this case is due in the first quarter of fiscal year 1978. Trans World Airlines also filed a Category Y fares tariff in September 1976. The Board suspended it on December 1, 1976, and instituted an investigation.

SUBSIDY

Subsidy obligations under section 406 of the Federal Aviation Act totaled $17.7 million for the transition quarter and $78.4 million for fiscal year 1977, an increase of $6.2 million in fiscal 1977 compared to fiscal 1976. This increase went to the local service carriers and two regional carriers. Subsidy for the Alaskan carriers remained the same at approximately $4.3 million.

Subsidy obligations for the local service carriers under the class rate reached $69.6 million for fiscal year 1977, an increase of $4.9 million over the fiscal year 1976 class-rate subsidy level, which was based on Class Rate VII.

Class Rate VIII, the current rate, became effective on July 1, 1976. It provides for semiannual reviews of subsidy-eligible and subsidy-ineligible operations each March and September. Prospective subsidy rates, effective January 1 and July 1 each year, are based on these reviews. The rates are adjusted to reflect an equal sharing of excess profits from subsidy-ineligible services, and the rates for subsidy-eligible services are increased or decreased, based on the median change in subsidy-eligible financial results experienced by the individual carriers during the review period as compared to the financial results from the base period of the rate. This median change mechanism allows the subsidy rate to adjust to changes in the overall level of economic activity experienced by all carriers and, at the same time, provides incentives for each carrier to operate as efficiently as possible.

Subsidy for the two regional carriers totaled $4.5 million in fiscal 1977: Air New England's subsidy was $3.8 million in fiscal year 1977 compared to $3.2 million in fiscal year 1976, and Air Midwest, a carrier which began certificated operations in November 1976, received $0.8 million in subsidy in fiscal year 1977. Air Midwest is operating under a temporary subsidy rate; its final subsidy rate will be established in fiscal year 1978. Air New England has been operating under a final subsidy rate since May 1977.

In March 1976 the Board reopened individual subsidy rates for two of the three subsidized Alaskan carriers, Alaska Airlines and Wien Air Alaska. In May 1977 the Board finalized Wien's future subsidy rate.

This involved a phased reduction in subsidy over several years and then stabilization at $1.5 million annually for the year ended March 31, 1980, and subsequent periods. A final future subsidy rate for Alaska will be set in fiscal year 1978.

In December 1976, a petition for an increased subsidy rate was filed by Kodiak-Western Alaska Airlines, the third subsidized Alaskan carrier. In March 1977, the Board increased Kodiak-Western's annual subsidy to $188,000 on a temporary basis. In September 1977 Kodiak-Western was granted a new temporary subsidy rate yielding $300,000 for the 6-month seasonal period ending March 31, 1978. (On an annual basis, this new subsidy rate would be $500,000.) At the same time, the Board directed Kodiak-Western to examine all aspects of its operations and to submit a plan for restructuring them. During fiscal year 1978 the Board will decide how to determine Kodiak-Western's final subsidy rate.

Allegheny Airlines, unsubsidized since July 1, 1974, applied for a return to local service subsidy support in January 1975. The Board proposed to deny Allegheny's petition in a show-cause order in March 1975. Upon reviewing the carrier's objections and revised submissions, the Board in September 1976 issued a final order reaffirming its decision. Allegheny has petitioned for reconsideration. An order responding to that petition will be issued in fiscal year 1978.

Frontier Airlines' petition for an adjustment of its subsidy for the 19-month period from December 2, 1969, through June 30, 1971, received a formal hearing in June 1976 before an administrative law judge, who awarded Frontier $8.8 million in additional subsidy, including taxes, for the period. If the Board reviews the decision, final action should be taken in fiscal year 1978.

Petitions filed by Pan American World Airways and Trans World Airlines requesting subsidy for their international operations were pending at the outset of fiscal 1977. But on February 14, 1977, and April 1, 1977, Pan Am and TWA, respectively, filed motions to dismiss the petitions, and the CAB granted their requests.

Subsidy Accruing to Air Carriers, Fiscal 1977, Transition Quarter, Fiscal 1976 (000)

	Fiscal 1977	Transition quarter	Fiscal 1976
Air Midwest	$772		
Air New England	3,770	$519	$3,204
Total regional	4,542	519	3,204
Allegheny			
Frontier	12,988	3,179	[1]12,282
Hughes Airwest	9,629	2,393	9,710
North Central	13,005	3,433	13,422
Ozark	9,896	1,948	7,977
Piedmont	11,217	2,056	8,172
Southern	5,140	1,601	6,380
Texas International	7,750	1,674	6,710
Total local service	69,626	16,284	64,654
Alaska Airlines	2,042	431	2,161
Kodiak-Western	169	26	130
Wien Air Alaska	2,062	412	2,069
Total Alaskan	4,273	869	4,360
Total subsidy	78,441	17,672	72,217

[1] Includes about $4,000 for Air Midwest "flow-through" subsidy obligations.

ECONOMIC ANALYSIS ACTIVITIES

The Board's economic analysis activities include monitoring and evaluation of the airline industry's economic, financial, and technological developments, as well as assistance at the various stages of the Board's regulatory decisional process. This enables the Board to test its policies and their application both to future problems and individual case decisions.

Studies and Analyses Performed

One such analytical study in preparation at the fiscal year end was the *Productivity and Employment Costs in System Operations of the Trunk and Local Service Airlines and Pan American From 1957 through March 31, 1977.* During the 15-month period, a productivity and employment cost study involving only the trunk airlines and Pan American for a period ended December 31, 1976, was completed and made available to the public. Recurring and one-time analyses for internal Board use provided during the year included studies in connection with: decisionmaking phases of cases prior to initial and recommended decisions; review of initial decisions; rate of return on investment, based on Board standards; review of stock prospectuses and registration statements; and effects of major discount fares on the domestic trunk airlines.

EMERGENCY PREPAREDNESS ACTIVITIES

Continuity of Government Operations

The CAB's Defense Readiness Plan for the continuity of operations under emergency conditions has been completed. The staffing requirements for the CAB's alternate headquarters locations are under review, and adjustments are being made where required.

Assessment of Resources

A report entitled *CAB War Air Service Program Resource Report—Calendar Year 1977* was prepared and distributed to interested Federal agencies and all certificated air carriers. It predicts the 1977 volume

of essential priority traffic that would require air transportation in case of a major emergency, and relates this volume to the estimated capacity of the commercial airlines to accommodate it, if the CRAF (Civil Reserve Air Fleet) aircraft are withdrawn.

Interagency Cooperation

The Board continued its cooperation with other Federal agencies in the development and review of emergency preparedness transportation and continuity-of-government plans, largely through its membership on the following committees for emergency preparedness planning: The Interagency Emergency Preparedness Committee; The U.S./Canada Emergency Planning Committee for Civil Transportation; and The Interagency Civil Defense Committee. A detailed discussion of the committees follows:

COMMITTEE SPONSORED BY THE CAB

The *CAB Industry Advisory Committee on Aviation Mobilization*, established in 1954, assists the Board with problems involving mobilization of the air transport industry in a national emergency. The committee assures the broad-based, in-depth planning for industry participation in the War Air Service Program required under Executive Order 11490.

The committee last met on June 18, 1968, to discuss identification of essential civil air routes in time of national emergency and other matters involving CAB planning for the program under the Executive order.

Committee members are: S. L. Seltzer, American Airlines, Inc.; J. E. Reinke, Eastern Air Lines, Inc.; B. G. Griggs, Jr., Northwest Airlines, Inc.; G. Doubleday, Pan American World Airways, Inc.; T. K. Taylor, Trans World Airlines, Inc.; D. A. Medland, United Air Lines, Inc.; P. J. Rodgers, Ozark Air Lines, Inc.; R. Vickery, The Flying Tiger Line Inc.; R. A. Neff, Seaboard World Airlines, Inc.; E. J. Driscoll, National Air Carrier Association; and C. G. Collins, Jr., Department of Transportation.

On May 6, 1976, the Chairman extended the term of this committee for a 2-year period, beginning July 1, 1976. The Office of Management and Budget agreed to the continuation of the committee, as required by the Federal Advisory Committee Act (Public Law 92-463).

Currently, the committee members assist in the annual preparation of the WASP Resource Report, which is mailed to the committee members for their review and comment prior to its final publication and distribution to each certificated air carrier and interested agencies of the Government.

INTERAGENCY COMMITTEES NOT SPONSORED BY THE CAB

The *Interagency Emergency Preparedness Committee*, reestablished on March 26, 1975, by the Office of Emergency Preparedness, helps to coordinate the Federal Government's emergency preparedness development programs.

The U.S./Canada Emergency Planning Committee for Civil Transportation, created in February 1964 by the Office of Emergency Transportation, studies and coordinates emergency transportation problems common to the two countries.

The Interagency Civil Defense Committee was reestablished on December 17, 1976, by the Defense Civil Preparedness Agency of the Department of Defense. It advises the Director of Civil Defense in carrying out his responsibilities in the field of civil defense.

ECONOMIC ENFORCEMENT

During the 15-month period, July 1, 1976, to September 30, 1977, the Bureau of Enforcement (BOE) reoriented its enforcement priorities among its seven program areas, i.e., Consumer Matters, Agreements and Antitrust, Charters, Cargo, Passenger Tariffs, Operating Rights, and Accounting and Reporting. Efforts in the Consumer area have doubled, as reflected by the court and administrative lawsuits brought through the integrated efforts of attorney/investigator/auditor teams and as shown by the attention devoted to Board rulemaking in consumer protection and low-cost charter transportation.

Overall during the period, $583,550 was collected in civil and criminal penalties. Sixty-three enforcement proceedings were brought before the Board, and 49 actions were brought on behalf of the Board in Federal court. Formal cases ranged from injunction actions to criminal contempt cases. A total of 1,520 additional matters were resolved informally, without resort to litigation.

CONSUMER MATTERS

The most serious violations pursued during the period of this report have involved misuse of passenger monies required to be secured in escrow accounts. Prompt examinations of financial books by Board auditors, supplemented by investigative interviews and frequently followed by subpenas and court litigation, have resulted in protection of charter passengers. Examples have included: *C.A.B.* v. *Mid American Travel Service* (C.A. No. LRC-77-225, E.D. Ark.); *C.A.B.* v. *Tour Travel Enterprises* (D.C.N.D. Ill., pending); *C.A.B.* v. *Diamond Tours* (No. CV-77-1340-WPG, C.D. Cal.); and *C.A.B.* v. *European Flights* (C.A. No. 2-77-732, S.D. Ohio). From this litigation have emerged new legal doctrines, involving the obligations of escrow banks and equitable remedies available for violations of the Board's escrow regulations. In related cases, tour operators have been obliged, under pain of contempt of court, to escrow all monies properly, to make refunds to canceling passengers who were denied notice of cancellation provisions in their contracts, and to provide ground accommodations equal in quality to those advertised. *C.A.B.* v. *Deluxe Travel, Nationwide Leisure, et al.*

(C.A. No. 74–C–915, E.D.N.Y., August 8, 1977). A pending action is directed against unlawful "bait and switch" sales tactics. *C.A.B.* v. *Trans International and Asian American Recreation Association* (Civil No. C–76–1436 AUZ–N.D. Calif.). Besides these court cases, administrative enforcement actions have been brought against misleading advertising. *TWA, Enforcement Proceeding* (on-time performance claims), and *Lufthansa, Enforcement Proceeding* (denigrating charter service). Others have involved the Board's no-smoking rules. *Allegheny, Enforcement Proceeding,* and *Eastern, Enforcement Proceeding.* Cases have involved damage to "soft-pack" luggage *(Trans International, Enforcement Proceeding)* and failure to pay denied-boarding compensation to passengers being "bumped." *Alitalia, Enforcement Proceeding.*

Finally, in addition to the formal cases and the informal cases resolved without litigation, the Bureau of Enforcement issued industry-wide letters involving the obligations of carriers under the amended Equal Credit Opportunity Act; the obligations of banks providing escrow accounts; and the obligation of carriers to avoid unlawful free package services to Members of Congress. Furthermore, the Bureau chaired the Board's ad hoc task force assigned the responsibility to review and update the Board's escrow and bonding protections for charter passengers.

While enforcement activities have increased dramatically in the Consumer area, the Bureau also has actively pursued its other programs, and elements of consumer protection are also evident in many other areas.

AGREEMENTS AND ANTITRUST

With the Board's renewed dedication to increased competition, the Bureau has investigated and prosecuted unfair competitive practices and unlawful control relationships. In *Foremost* v. *Qantas,* an administrative proceeding, the Bureau charged that Qantas had unlawfully sought to take over Foremost's charter program through predatory practices. That case is pending. In *USTOA* v. *TWA, Travellers Air Services, et al.,* a court case (77 Civ. 911, S.D.N.Y.), the Bureau, acting on behalf of the Board, has charged that a foreign entity unlawfully controlled TWA's major European tour program for 1977. Several other such cases are under investigation at this time. The Bureau also directed informal inquiries to determine whether certificated carriers unlawfully prevented commuter carriers from advertising their schedules in the "Official Airline Guide" and whether IATA carriers have unlawfully colluded in setting international fares. While these inquiries have not resulted in formal prosecutions, the industry has been put on notice that increased attention will be directed to unfair, predatory, and collusive practices.

CHARTERS

In the 15 months reported, the Bureau of Enforcement's prosecutive efforts in the charter program area have been directed principally toward those cases having a significant impact on the industry and traveling public rather than on isolated, technical violations of the charter rules. Major court actions seeking injunctions for charter violations or contempt of court for violations of existing injunctions, particularly on international routes and domestic markets, have been undertaken and will continue at a level required to maintain substantial compliance with existing charter requirements. Prosecutions initiated before the Federal courts have proven to be the most effective forum for achieving compliance, particularly where speed is important.

The Bureau has been monitoring compliance with injunctions obtained in 1975 against certain charter tour operators *(C.A.B.* v. *Carefree Travel, et al.,* Civil Action No. 74-C-915 E.D.N.Y., aff'd 513 F.2d 375, 2d Cir. 1975), and as a result, four corporations and four individuals were found guilty of criminal contempt for failing to comply with the injunction. While the court could have imposed jail sentences (which would have been a "first"), the parties were fined a total of $74,000. Permanent injunctions have been entered against 25 persons for affinity charter violations, including overcharging passengers. The Board also obtained injunctions against four travel agencies for violating the Board's charter regulations *(C.A.B.* v. *Siyor Travel Agent, Ltd., et al.,* Civil Action No. 77-1340-WPG, C.D. Cal. 1977).

After an exhaustive BOE investigation, the Bureau, acting on behalf of the Board, sought and recently obtained a preliminary injunction against a U.S. carrier for operating illegal affinity flights between New York and Brussels. The extent of this operation was so substantial (20,000 passengers), it earned the sobriquet of "gray market," particularly in the New York area. This case is presently on appeal *(C.A.B.* v. *Capitol International Airways,* Civil Action No. 77-C-584, E.D.N.Y. 1977). The Bureau obtained a similar injunction on the west coast involving the operation of illegal pro rata affinity charters between the west coast and Manila. A civil penalty of $45,000 also was paid *(C.A.B.* v. *Air Manila, et al.,* Civil Action No. 77-0513-SW, N.D. Cal. 1977).

While keeping resources allocated to this area to a minimum effective level, the Board intends to insure substantial compliance with existing charter requirements. At the same time, greater emphasis will be placed on simplifying the charter rules so that they are widely available, nondiscriminatory, and enforceable.

CARGO

During the period of this report the Board has continued its efforts to obtain tariff compliance by carriers and air freight forwarders. It has

included an affirmative action program in consent injunctions and cease-and-desist orders for air freight forwarders.

In a litigated court proceeding (*C.A.B.* v. *British Airways Board, d.b.a. British Airways,* S.D.N.Y., 77 Civ. 1456–CSH), the Board's jurisdiction over international cargo rates was upheld even though the charges were assessed and collected abroad and applicable only to inbound shipments.

In *Seaboard World Airlines, Inc., Enforcement Proceeding,* dockets 27036 and 27101, a litigated case before the Board, the Board determined that it is illegal to mix charter-rated traffic with scheduled-rated traffic on scheduled flights.

Last year the Board, through its Bureau of Enforcement, obtained its first court injunction in which an air freight forwarder was the respondent. (*C.A.B.* v. *WITS, Inc., d.b.a. Wits Air Cargo Service,* W.D. Calif., Civil Action No. C–76–201–M). This year a second air freight forwarder, CF Air Freight, consented to the issuance of an injunction for having misclassified commodity shipments. CF Air Freight also paid $10,000 in civil penalties.

The past year marked the Bureau's first cargo voluntary disclosure case. Circle Airfreight Corporation disclosed to the Bureau several malpractices it had previously engaged in, giving the Bureau a much-needed insight into the methodology of certain rebating practices. Several other volunteers have since stepped forward, providing valuable inside information essential to the goal of obtaining cargo injunctions on North Atlantic routes, injunctions similar to those already in place on the Pacific.

The Bureau recently negotiated a consent injunction and payment of $24,000 in civil penalties against an air freight forwarder. The Bureau's investigation had revealed a pattern of overcharges, charges unsupported by tariff filings, and kickbacks to shipper employees.

PASSENGER TARIFFS

The Board has continued its program of enforcing the 33 existing injunctions against rebating on international routes. Two criminal contempt proceedings have been successfully brought. After a 5-week trial, Iberia Air Lines of Spain pleaded guilty and was fined $75,000 (Criminal Action No. 76–CR–295 (S)). In addition, Iberia and its top official in the United States consented to the entry of a judgment of civil contempt, and were required as part of that judgment to institute a compliance program approved by the government. SABENA and a district sales manager were similarly charged with contempt. On the date that the trial was supposed to begin, both entered pleas of guilty to the information.

With the exception of Aeroflot, against which an action is still pending after its unsuccessful efforts to dismiss for lack of proper venue, all

major carriers in the Atlantic and Pacific are under injunctions. In Latin America, an injunction (and $70,000 in penalties) was obtained against AeroPeru, and efforts are continuing against the remaining carriers (except for Braniff, which consented to an injunction last year). Civil penalty letters have been sent.

OPERATING RIGHTS

The Bureau has continued its twofold approach in this area: to cooperate with the FAA in providing economic expertise in court cases having both safety and economic consequences; and to institute court or administrative enforcement actions when unlicensed common carriers refuse to come before the Board for economic authority, thereby denying the Board the opportunity to exercise its decisional processes.

With respect to the FAA-related matters, the Bureau has legal and investigative resources to assist the FAA in policing the Miami area from which part 91 operators, operating at safety standards lower than those required of certificated carriers, provide various cargo services in the Caribbean area. Elaborate written comments also have been provided to the FAA to assist it in dealing with part 121 operators which seek to operate private flying clubs but frequently cross the line into common carriage. The enforcement actions brought include: *C.A.B.* v. *Southern Air Transport,* S.D. Fla., Case No. 77–1335–NCR, a court action alleging unlawful common carriage of cargo; and *Aerovias Quisqueyana, Enforcement Proceeding,* an action brought before the Board alleging the unlawful transfer of a foreign permit through a leasing arrangement, the failure of the carrier to maintain requisite insurance, and the failure of the carrier to use escrow accounts to protect passenger payments.

ACCOUNTING AND REPORTING VIOLATIONS

In the 15-month period ended September 30, 1977, the Bureau concluded two administrative enforcement proceedings involving the misclassification and failure to report certain political contributions by obtaining cease-and-desist orders against Continental Air Lines, docket 29677, and Aloha Airlines, docket 29862. Continental agreed to pay $50,000 in civil penalties as a result of the settlement of the enforcement proceeding, and Aloha agreed to pay $75,000. An administrative enforcement proceeding against United Air Lines was concluded when an administrative law judge approved a settlement stipulating that United had improperly classified aircraft which were leased to Delta. United also agreed to pay $19,000 in civil penalties and reclassify certain political activity payments from operating to nonoperating expense accounts. Each carrier agreed to carry the penalty amounts and all other related expenses on its books as nonoperating expenses to be ignored for

future ratemaking purposes.

The Bureau also obtained cease-and-desist orders against Texas International Airlines, docket 27434, and Hughes Air Corporation, d.b.a. Hughes Airwest, docket 27435, for failing to preserve certain original source documents required by Board regulations to be kept to determine the validity of a carrier's operational records for the computation of subsidy mail pay. In-depth audits of the expenses of subsidized local service carriers resulted in the recommendation that $1.8 million of expenses be disallowed for subsidy purposes. Disallowances were recommended in regard to employee personnel expenses ($0.5 million), legal fees and expenses ($0.3 million), professional and technical fees and expenses ($0.2 million), and miscellaneous disallowances ($0.4 million). The investment classifications and regulatory depreciation practices of the subsidized carriers were also closely reviewed and adjustments recommended where necessary.

During this period, administrative enforcement proceedings which allege accounting and reporting violations were instituted against The Flying Tiger Line et al., docket 30254, Overseas National Airways, docket 29925, and Trans International Airways et al., docket 30152. Overseas National Airways and the Bureau reached a settlement of that proceeding—now pending Board approval—that provided for a cease-and-desist order, a special audit investigation to be performed at the carrier's expense, and the payment of $50,000 in civil penalties.

The Board required special reports from Pan American World Airways and The Flying Tiger Line to determine how rebating and related discounting transactions had been reported to the Board and on the carriers' own corporate books.

Transitional Period

Enforcement category	Pending June 30, 1976	Instituted 7/1/76 to 9/30/76	Concluded during 7/1/76 to 9/30/76	Pending Sept. 30 1976
Informal compliance actions	975	262	219	1,018
Formal proceedings	146	17	31	132
Investigations	217	161	216	162
Total	1,338	279	466	1,312

Fiscal Year 1977

Enforcement category	Pending Sept. 30 1976	Instituted 10/1/76 to 9/30/77	Concluded during 10/1/76 to 9/30/77	Pending Sept. 30 1977
Informal compliance actions	1,018	1,495	1,301	1,212
Formal proceeding	132	172	110	194
Investigations	162	738	739	161
Total	1,312	2,405	2,150	1,567

The informal enforcement actions involved seven major categories of violations as set forth in the table on the following page.

	Percent
Categories of violations:	
Consumer	33
Agreements/antitrust	3
Charters	23
Cargo	4
Passenger tariff	14
Operating rights	6
Accounting/reporting	3
All others	14
Entities subject of complaint:	
U.S. trunkline and local service carriers	30
Tour operators/travel agents	26
Charter organizations	5
U.S. supplemental air carriers	4
Foreign air carriers	14
Air freight forwarders	4
All others	17

ACCOUNTING AND REPORTING

The 15-month period ended September 30, 1977, was characterized by unprecedented demands for changes in the present system of regulating air transportation. The debates over the future course of aviation regulatory policy prompted a searching and far-reaching reappraisal of the Board's information systems to assure that the CAB has the kind of data needed to meet today's problems and to address tomorrow's challenges. Several of the more significant modifications made to these information systems are highlighted below along with other pertinent accomplishments related to the Board's Accounting and Reporting Function.

Small Air Carrier Reporting System

Prompted by the trend toward the issuance of certificates to smaller air carriers, and out of growing concern to lighten the reporting burden for America's small businesses, the Board began to develop a new reporting system better fitted to the operations of the smaller regulated carriers. In April 1977 it sought comments on a proposed rule which would establish new classes of small air carriers with reporting requirements varying according to the carrier's size, nature of operation, and subsidy status. It is estimated that the proposal would eliminate the filing of about 1,700 schedules per year for all small air carriers.

Underlying this proposal is the view that some of the data primarily used for industry monitoring purposes are not needed from the small carriers because collectively these carriers represent a very small part of the total information base.

As part of this action, and in line with the Board's program of not only reducing but also improving reporting requirements wherever possible, the proposal also would upgrade the quality of traffic statistics reported by supplemental air carriers, to make their reporting comparable to the route carriers. This recognizes the increasingly important role of the supplementals in air transportation and the urgent need to make cost comparisons between route and supplemental air carriers. As the fiscal year drew to a close, the Board's staff was reviewing public comments received on the proposal and was readying a final regulation.

Reducing Paperwork and Red Tape

A continuing program to evaluate the Board's accounting and reporting requirements, with the dual objectives of eliminating those that are no longer needed and improving those that are, has produced a number of tangible accomplishments during this period.

The concept of sharing data by Government agencies received a big boost last year when the Board and the Securities and Exchange Commission (SEC) developed a single reporting system for certificated air carriers which enables many air carriers to use their CAB reports to meet similar reporting requirements of the SEC. Further progress was made in 1977 as staff discussions were held with representatives of the State of Alaska Transportation Commission to find ways to share information collected by the Board with that commission.

In another action in this fiscal period the reporting of freight loss and damage claims was reduced to one simplified form to be filed semiannually by certificated route air carriers and foreign air carriers engaged in scheduled service to the United States. This rule entirely eliminated the reporting of freight loss and damage claims for supplemental air carriers, air freight forwarders, and commuter air carriers. For all carriers affected by the rule, these changes lifted the burden of filing about 7,800 schedules per year.

Model Corporate Disclosure

On July 28, 1977, the Board issued an advance notice of proposed rulemaking in response to requests from Senator Lee Metcalf and the General Accounting Office urging the Board to adopt the Model Corporate Disclosure Regulations (MCDR). The MCDR was developed by the Interagency Steering Committee on Uniform Corporate Reporting. It was designed to provide increased disclosure of the underlying beneficial ownership of the voting stock of regulated companies and to provide increased disclosure of corporate structure, affiliations of officers and directors, and debt holdings. At the close of the period, comments in response to the proposal were being evaluated.

In a related action, the Board, on September 8, 1977, modified the requirements for certificated air carriers to report information on transactions with affiliated companies and nontransport divisions. These changes were developed as a part of the Board's ongoing effort to reduce and improve air carrier reporting. The major thrust was to improve the overall concepts dealing with the reporting of affiliate transactions by providing more informative data on the nature, volume, and impact of transactions between the regulated entity and members of the affiliated group. Key provisions included changing the filing frequency from quarterly to annually, revising the report formats, and implementing improvements in the technical accounting and reporting procedures for income tax allocations and nontransport leasing activities.

Evolving Accounting Principles and Disclosure Standards

Professional organizations and governmental bodies such as the Financial Accounting Standards Board (FASB), American Institute of Certified Public Accountants, and Securities and Exchange Commission issued a number of pronouncements during the 15-month period. Many of these directly affected accounting and reporting in the air transport industry. The Board prepared position papers on these pronouncements to assure that its concerns and viewpoints would be known. Most notable was the direct effect that the Board's comments had in shaping specific areas of the standards on lease accounting and reporting of segments of a business enterprise. Other comments were prepared on the discussion of the conceptual framework of accounting and reporting principles underlying financial statements of business enterprises, income taxes n interim periods, and the exclusion of regulated industries from certain accounting standards.

On July 14, 1977, the Board incorporated the lease accounting provisions of the FASB standard in the Uniform System of Accounts and Reports for Certificated Air Carriers (USAR). This and other changes in the USAR, to conform with the generally accepted accounting principles adopted by the accounting profession, helped to relieve air carriers of the burden of preparing different sets of financial statements for different audiences.

Evaluation of Carrier Operations

Air carrier operating results were analyzed and interpreted by continuing financial and cost review programs devised as monitoring mechanisms. The program serves as an early warning system for financially troubled carriers, the evaluation of aircraft cost behavior and relationships, and the tracking of trends in unit rates and cost elements.

Special Studies

Airline Equipment Needs and Financing Through 1985

In recognition that the aviation industry probably will be operating in a more competitive environment, the Board's staff undertook a study to determine capital requirements from 1977 through 1985. The study indicates that the total equipment and property needs of the trunks and local service carriers amount to $32.5 billion in current dollars during the study period. The study further reveals that the net income generated under an average operating ratio of 95 percent (operating expenses ÷ operating revenues) yields minimal results required for financing the next round of aircraft. Some carriers whose operating ratios exceed 95 percent could face extreme difficulty in securing capital.

Trends in Market Shares, Revenues, and Yields (1966–75)

This study shows that from 1961 through 1975, the top 10 domestic

markets, ranked by number of passengers, were dominated by either New York or Los Angeles as one end of the passenger's journey. American Airlines and United Air Lines participated in 7 of the top 10 markets; TWA, in 6.

Trends in Corporate Return on Investment and Financial Leverage (Trunk Carriers 1967–76)

The system trunk industry showed negative financial leverage from 1970 through 1975. The air carriers suffered severe earnings fluctuations, though bound by long-term financing arrangements to fixed payment schedules. Actual return on investment (before regulatory adjustments) for the 10-year period was 5.83 percent and, combined with negative financial leverage of .52 percent, produced an average return on stockholder equity of only 5.31 percent. The study examines trends in selected financial measurements for individual carriers and compares the differences among carriers.

Glossary of Air Transportation Terms (1st Edition)

This document meets the need to standardize air transportation terms and phrases in everyday use at the Board or in Board publications. The Glossary includes nomenclature peculiar to air transportation and also in general CAB usage as well as terms which have everyday use in nonaviation context, but also have a specialized use or definition in discussions within the Board. All terms appear in their normal composition and are referenced to the location, under the root term, where they are defined.

Charter Data

During the year the Board designed and implemented a revised charter data processing system which provides data for each flight leg of each charter group, as well as information for charter type, aircraft type, flight number, origin and destination, space contracted for, actual traffic, and carrier revenue.

These statistics, which are reported by U.S. air carriers and foreign carriers conducting charter flights to the United States, contain timely information on trends and growth of that segment of the industry. The information is used to monitor recent liberalized charter programs, such as the one-stop inclusive tour charter, the advance booking charter, and special event charter, and their effect on scheduled operations. The data are also used in bilateral negotiations and are proving extremely useful in gauging the effects on charter business of the recent deep discount fares approved for scheduled operations.

Service Segment Statistics

During the year, service segment statistics were improved by the ap-

plication of more refined editing procedures by both the carriers and the Board. Service segment data are filed monthly and show data by flight number and flight segment for capacity, departures, passengers, cargo, mail, miles and hours flown, aircraft type, and load factor. The Board relies heavily on these data in route and rate proceedings, and they are widely used by Federal, State, and local government agencies and authorities for planning future air service requirements.

International Statistical Programs

A member of the Bureau of Accounts and Statistics is the U.S. representative to the Statistical Panel of the International Civil Aviation Organization (ICAO), an affiliated organization of the United Nations. Through this representation and by other means, the operation and development of ICAO's worldwide collection of civil aviation statistics gains support. In addition to this planning and development work, the Board recurrently submits to ICAO financial and traffic (in metric units) reports covering U.S. air carrier operations.

Report Correction Review

The Board added a new dimension to its continuing report review program in March 1977 to improve the quality of reported data. Under this program all corrections to the hard-copy reports are reviewed for problems of a conceptual nature in the reporting requirements. Once this review process discloses such areas, the regulations are clarified either by amendment or by an "Accounting and Reporting Directive." The directive is an informal way of clarifying the reporting requirements. As the problems are pinpointed and clarified, the data submitted by the direct and indirect air carriers will become more uniform, reliable, and accurate, thus improving the data for decisionmaking.

Air Taxi and Commuter Air Carrier Data

Selected traffic statistics were summarized from the annual reports submitted by air taxi operators and from the quarterly data submitted by those operators classified as commuter air carriers. This classification is based on the performance of at least five scheduled round trips a week, or the transportation of mail pursuant to a contract with the U.S. Postal Service. During the past year the Board added two items to the quarterly filings of commuters to indicate the reliability of the service provided. A computerized data file for these carriers was established to select this new information as well as the data filed previously. This information is now available and is maintained in our offices and released for staff and public use in the form of quarterly press releases.

Over 2,750 carriers filed reports. Some 300 conducted scheduled commuter services.

Air Taxi Data (Includes Commuter Air Carriers), Calendar Year 1976

	Number of passengers carried	Aircraft hours flown	Aircraft miles flown	Number of aircraft departures performed
Domestic	9,436,572	2,190,898	317,657,683	2,518,554
International	490,478	69,441	11,106,412	72,749
Total	9,927,050	2,260,339	328,764,095	2,591,303

Commuter Air Carrier Data Only, Calendar Year 1976

Aircraft hours flown	963,697
Aircraft miles flown	171,194,005
Departures performed	1,531,137
Revenue passenger-miles	799,718,354
Revenue ton-miles	155,706,331

Commuter Air Carrier Reliability Data, July 1, 1976–December 31, 1976

Departures scheduled in passenger service	673,389
Scheduled departures completed in passenger service	614,268
Percent scheduled departures completed	91.2

These statistics are collected by the Board for its use and for use by the National Transportation Safety Board in appraising the safety performance of this class of carriers.

Interagency, Industry, and Consumer Assistance

During the 15-month period of this report the Board continued to provide technical aid to other government agencies, to the air transport industry, and to the public in general on accounting and statistical matters. Of primary importance at the Federal level was the assistance given to the Securities and Exchange Commission on a wide range of financial, statistical, and operating facts contained in 15 registration and proxy statements filed by regulated air carriers with that Commission.

Significant effort also went into working with the General Accounting Office to provide the information necessary to perform their reports clearance function under the Federal Reports Act. The Board also shared a number of paper-reducing ideas with the Commission on Federal Paperwork and cooperated fully in their effort to implement a series of recommendations.

The Board provided assistance to the air transport industry at many levels. For example, it held face-to-face meetings with newly certificated small air carriers to reach mutual understandings about the Board's accounting and reporting requirements and the air carriers' operations. This was done to assure that these small businesses did not spend time and money on unnecessary paperwork and to assure their smooth entry into certificated operations. Also, the Board issued several industry letters of interpretation to develop uniform accounting and

reporting standards, thus improving the data base upon which the Board makes its regulatory decisions. Those of primary importance dealt with accounting and reporting for regulatory depreciation, charter statistics, and advertising expenses.

In recent years the number of individuals, organizations, and governmental bodies using airline statistics collected and processed by the Board has tripled. The Board received more than 5,000 information requests during the fiscal year. Some 2,000 of these were for access to the Board's detailed market statistics data banks, such as the Passenger Origin/Destination Survey and Service Segment Data. The Board assisted more than 100 State and local governments and airport authorities in the use of market statistics for analysis and to plan for future air service and facilities requirements. Detailed market statistics are available on magnetic tapes through the Machine-Readable Archives Division of the National Archives and Records Service (GSA) and on microfilm from the Air Transport Association of America. Less extensive air transportation data needs are serviced by the Board through photocopying, microfilm copying, and published documents.

Recurrent Statistical Publications

The following recurrent statistical, financial, and cost publications were again issued during 1977: *Aircraft Operating Cost and Performance Report; Trends in Airline Unit Costs and Cost Elements; Trends in All-Cargo Service; Quarterly Financial Review; Summary of Financial Position; Aircraft Utilization and Capacity; Study of Productivity; Air Carrier Investments' Holders of Air Carrier Debt; Seasonally Adjusted Traffic and Capacity; Comparative Financial Review; Wide-Bodied Aircraft Market Shares; Air Carrier Traffic Statistics; Air Carrier Financial Statistics; Origin-Destination Survey of Airline Passenger Traffic; Airport Activity Statistics; Quarterly Airline Industry Economic Report; Interim Financial Report; Economic Report of Air Freight Forwarders;* and *Freight Loss and Damage Claims Report.*

DATA PROCESSING

Automatic Data Processing (ADP) has become the cornerstone of the Board's information program. ADP support is utilized in virtually all phases of the Board's activities and is a primary tool for programs to improve regulatory performance.

The 15 months of this report marked the most significant growth in capacity, expertise, and potential in the history of ADP at the CAB. During this period the Board implemented tools and techniques which will provide it with a modern and responsive information and analytical capability for the next several years.

Using a new computer installed late in the previous fiscal year, the Data Processing Division first implemented the virtual memory pro-

cessing concept, then accomplished a massive conversion to a much more powerful and communications-oriented operating system. This conversion affected each of the hundreds of programs, job streams, and mechanized files in use at the Board and, of course, had to be done while providing ADP service at a nearly normal level.

This modernization was necessary for two basic reasons. First, the workload had grown to the point where the old installation could no longer dependably handle it. Second, the new hardware and associated software and processing techniques were necessary prerequisites to the evolutionary development of a new family of on-line applications. These new applications generally place ADP much more deeply into the day-to-day analytical, administrative, and decisionmaking machinery of the Board, due to their ability to make specific data available where and when needed by the staff.

The new computer is an IBM 370/155–II, with one million bytes of real memory, 16 magnetic tape drives, 16 direct access storage devices (disk drives), two high-speed printers, and extensive telecommunications capability. This equipment is located in a restricted, self-contained, environmental area having its own air conditioning, electrical service, special entry control, and fire warning protection. Also within the restricted area is the Board's 6,000-reel library of magnetic tapes containing working and historical data files, backup copies of which are stored off-site.

These improvements made possible new ADP applications in which computerized data files are directly accessible from users' offices. The purpose of such applications is to employ the computer to make specific mechanized information directly available to Board management and staff. This is perhaps best illustrated by the On-line Form 41 Data System, which was being developed by the end of fiscal year 1977. In this application, financial and traffic data will be made available to users via remote terminals linked to the direct access files of the central computer. Necessary corrections to the data base will be made to the files directly through the terminals. Users will be able to extract, manipulate, and display information from the files as desired. Most important, since the data will be edited and placed in the on-line file as soon as it is received from the carriers, with incorrect and/or suspect data elements flagged, the time lag between receipt of data and its availability for use will be reduced significantly.

The Board also made major progress in many conventional, batch-oriented applications. For instance, the evaluation and test phases were completed on the Flight Financial Analysis System. This large software package will be used to analyze air carrier operations by market, flight, or segment.

Recently instituted liberalized charter programs, such as the one-stop inclusive tour charter, the advance booking charter, and the spe-

cial event charter, required the installation of a new ADP system to monitor these programs. The new system also provides needed basic information on the growth and other dimensions of the charter industry.

Another important new project was initiated which will extend the "standard exhibit" concept into new substantive areas of the Board's work. Previously, programs had been developed which allowed presentation of various preformatted arrangements of service segment data with only the submission of a few simplified parameter cards. The new project will expand this concept to include, first, passenger origin/destination and flight schedule data and, later, financial and cost data. Especially in view of the need for a general reduction in regulatory lag, this concept has the general effect of permitting faster ADP servicing of many more requests, and at a greatly reduced overall cost, than would be possible if a custom program and report were to be developed for each situation.

Another significant accomplishment was the establishment of a formal program under which administrative law judges can obtain data consulting services from the Bureau of Accounts and Statistics. Such services deal with questions posed by requests for evidence and information in prehearing conferences. Expert statistical and ADP staff consult with the judges on matters of data content and interpretation, data availability, burden, and timing involved in the production of statistical and financial data for a particular case. Bureau staff also, on request, attend prehearing conferences. This reduces delay by enabling the judge to establish tight realistic dates which are necessary for the parties to produce and prepare exhibits.

In addition the Board made improvements in routine ADP systems and services, e.g., Payroll, the Consumer Complaints Automated Information System, the Domestic Local Tariff System, and the ability to respond timely to ad hoc requests by staff engaged in case work and/or special investigations.

The Board's ability to respond successfully in the future to the many anticipated changes in the regulatory environment will depend to a great degree on a modern and responsive monitoring and analytic capability. The strides made during the 15-month period just ended have dramatically improved the ADP capacity which is fundamental to the proper support of Board management and staff.

CONSUMER ADVOCACY

The Board's Office of the Consumer Advocate (OCA) in fiscal year 1977 actively exercised its role of representing the consumer interest in proceedings before the Board.

In the advisory area, the office handled a significant increase in consumer complaints and requests for information.

OCA participated in a number of route cases including the *Las Vegas-Dallas/Fort Worth Nonstop Service Investigation* (docket 29445), the *Louisville Service Case* (docket 29968), and the *Arizona Service Investigation* (docket 30635).

OCA supported the liberalization of the Board's charter rules and also supported low-price innovative fares on scheduled air service.

In the charter area, the office also supported reduction of the minimum size of charter groups from 40 seats to 20 seats (docket 29806).

On two specific occasions OCA petitioned the Board to institute rulemakings in areas of interest to consumers. The office requested the Board to adopt rules restricting the period of time an air carrier can delay an international charter flight before the carrier is obligated to provide substitute transportation to the passengers (docket 31229).

OCA also requested the Board to examine in a rulemaking the benefits of permitting scheduled air carriers to operate contract bulk inclusive tours on international flights, provided the authority would not harm financially supplemental air carriers (docket 29642).

The office filed complaints against tariffs which were intended to sanction air carriers' overbooking practices. It also supported a rulemaking which would require air carriers to give the public affirmative notice of their overbooking practices, and proposals to increase the amount of denied-boarding compensation paid to passengers who are "bumped" from a flight on which they hold confirmed reservations, and to remove certain exceptions to the eligibility for denied-boarding compensation.

In other actions, OCA supported a change in the "fare effectiveness rule," which has provided that a passenger must pay the fare in effect the day that transportation commences. This rule frequently has required passengers who have paid for and received their tickets in ad-

vance to make an additional payment before their flight departs. The office supported adoption of a rule which would provide that the fare in effect the day the ticket is paid for is the proper fare.

The office submitted comments on the Staff Task Force Report on Service to Small Communities, advocating a simplified certification procedure for "community service" air carriers, a limited subsidy arrangement, access to the guaranteed loan program for aircraft acquisition, and application of certain consumer protection provisions.

From October 1, 1976, to September 30, 1977, the office handled 16,567 complaints—an increase of 16 percent over the 14,247 complaints handled in fiscal 1976. During the transitional quarter, 4,192 complaints were filed with the office. Of particular interest were complaints involving the failure of carriers to pay denied-boarding compensation to oversold passengers. These cases were brought to the attention of the Board's Enforcement Bureau, and several enforcement actions are now pending.

Problems with charter flights constitute an increasing proportion of complaints received by the office. Charter complaints rose from 444 in fiscal 1976 to 971 for fiscal 1977 plus 208 in the transitional quarter. This represents an annual increase of more than 100 percent. This increase is believed due to the expansion of charter availability and the growth in the number of passengers traveling on charter flights.

In response to the growing problems with charter flights and our perception of the need for consumer education about this type of air transportation, the office prepared a new booklet on charters which will be distributed free of charge to the public. Publication is expected in October 1977.

As a part of its continuing effort to inform consumers of their rights and responsibilities as airline passengers and shippers, the office also published a revised and expanded edition of "Consumer Facts on Air Fares." Revised editions of "Air Travelers Fly-Rights" and "Consumer Guide to International Air Travel" were sent to press in mid-1977.

Following is a list of the proceedings in which OCA participated as consumer advocate during fiscal year 1977:

Docket	*Proceeding*
28262	Air Midwest Certification Proceeding
29506	Complaint of OCA Against Overbooking Rules Tariff Proposed by United Air Lines, Inc.
29445	Las Vegas-Dallas/Fort Worth Nonstop Service Investigation
29278	Request for Comment on Staff Task Force Report on Service to Small Communities
29542	Complaint of OCA Against Overbooking Rules Tariff Proposed by Delta Air Lines, Inc.
28404	Notice of Proposed Rulemaking—Contract Bulk Inclusive

Docket	*Proceeding*
	Tours, EDR–300, SPDR–45, ORD–13
29642	OCA Petition for Rulemaking to Establish Contract Bulk Inclusive Tours in Foreign Air Transportation
28586	Notice of Proposed Rulemaking, Study Group Charters, SPDR–46
29776	Notice of Proposed Rulemaking (Overbooking Notice), EDR–303
29139	Reexamination of the Board's Policies Concerning Deliberate Overbooking and Oversales, EDR–296
29285	Notice of Proposed Rulemaking to Amend Parts 372a, 378a and 371 of the Board's Special Regulations
29866	Petition of Charter Travel Corporation for Rulemaking to Amend Part 378a of the Board's Special Regulations
29806	Notice of Proposed Rulemaking—Amendment of Minimum Number of Seats for Split Charters, EDR–304, SPDR–49
29880	Petition for Rulemaking Regarding the Costs of Participation in Board Proceedings
29940	Petition for Rulemaking to Amend Part 371 of the Board's Special Regulations
29359	Notice of Proposed Rulemaking—Business-Oriented Charters, EDR–314, SPDR–52
30123	Notice of Proposed Rulemaking, Route Priorities, PSDR–45
30277	Chicago-Midway Low Fare Route Proceeding
30343	Complaint of OCA against Intrastate Fares Proposed by United Air Lines, Inc.
30356	Transcontinental Low-Fare Route Proceeding
30079 et al.	Domestic Passenger Fare Increase Proposed by Various Air Carriers
30314	Notice of Proposed Rulemaking—Employee Responsibilities and Conduct
30504 et al.	American Air Lines' "Super Saver Fare"
30529	Application of American Airlines, Inc. and Antilles Air Boats, Inc. for Prior Board Approval of an Agreement
29818	Notice of Proposed Rulemaking, Free and Reduced-Rate Transportation of Travel Agents and Tour Operators
30635	Arizona Service Investigation
30637	Application of United Air Lines, Inc. for an exemption from Sections 403 and 404 of the Act to Provide Free and Reduced-rate Transportation to Travel Agents
30250	Notice of Proposed Rulemaking to Amend Part 378a of the Board's Special Regulations

Docket	*Proceeding*
30667	Petition for Rulemaking to Amend Part 378 of the Board's Special Regulations
30539	Notice of Proposed Rulemaking—Proposed Amendment Concerning Overcharges
30654	Petition of National Air Carrier Association for Institution of Rulemaking Proceeding Regarding Passenger Charter Rate Tariffs
30714	Application of Braniff Airways, Inc. for an Exemption from Section 403 of the Act to Transport Travel Agents Free on a Space Available basis
30659	Application of Pacific Southwest Airlines for a Certificate of Public Convenience and Necessity
30904	Petition for Discussion Authority Relating to the Air Carriage of Handicapped Persons
30717	In the Matter of the Fare-Effectiveness Rule
28672	IATA Agreement involving agency matters and on the petition of the International Airfreight Agents Association for an Investigation of Airfreight Commission Rates and Practices
15529, 27589	The Domestic Baggage Liability Rules Investigation
30988 et al.	Complaint of American Airlines, Inc., Vacation Ventures, Pathfinder Corp. and Charter Ventures against TWA's Chicago-Los Angeles "Super Coach Service"
30310	In the matter of the Certification of Commuter Air Carriers
30891	Advance Notice of Proposed Rulemaking, Discount Fare Policy
29591	The Complaint of Donald L. Pevsner in the matter of refund provisions for unused tickets
31229	OCA Petition for Rulemaking to amend Part 208 of the Board's Economic Regulations to provide protection for passengers experiencing charter flight delays
31196	Complaint of the Independent Investor Protective League v. Eastern Air Lines concerning the proposed unlimited travel fare
29968	The Louisville Service Case
29123	Agreement of the Traffic Conferences of IATA relating to Low-fare scheduled service over the North Atlantic
20766	Advance Notice of Proposed Rulemaking—Reexamination of Minimum Charter Group-Size Requirements
31290	Advance Notice of Proposed Rulemaking—Domestic Passenger Fare Level Policies-Domestic Passenger-Fare Structure Policies

The complaint distribution for fiscal year 1977, transitional quarter, and fiscal 1976 follows:

Carrier	Complaints	Percent of total
American Airlines:		
1977	1,126	6.80
Transitional quarter	279	6.66
1976	997	7.00
Braniff Airways:		
1977	501	3.02
Transitional quarter	81	1.93
1976	428	3.00
Continental Air Lines:		
1977	272	1.64
Transitional quarter	61	1.45
1976	299	2.10
Delta Air Lines:		
1977	475	2.87
Transitional quarter	85	2.03
1976	521	3.66
Eastern Air Lines:		
1977	1,318	7.95
Transitional quarter	270	6.44
1976	1,137	7.98
National Airlines:		
1977	266	1.61
Transitional quarter	42	1.00
1976	244	1.71
Northwest Airlines:		
1977	492	2.97
Transitional quarter	149	3.55
1976	735	5.16
Trans World Airlines:		
1977	1,096	6.61
Transitional quarter	302	7.20
1976	961	6.75
United Air Lines:		
1977	861	5.20
Transitional quarter	279	6.66
1976	843	5.92
Western Air Lines:		
1977	260	1.57
Transitional quarter	73	1.74
1976	302	2.12
Pan American World Airways:		
1977	556	3.36
Transitional quarter	150	3.58
1976	525	3.68
Hughes Airwest:		
1977	175	1.06
Transitional quarter	33	.79
1976	161	1.13
Allegheny Airlines:		
1977	459	2.77
Transitional quarter	111	2.65
1976	536	3.76
Frontier Airlines:		
1977	113	.68
Transitional quarter	41	.99
1976	156	1.09
North Central Airlines:		
1977	134	.81
Transitional quarter	36	.86
1976	154	1.08

Carrier	Complaints	Percent of total
Ozark Air Lines:		
1977	151	.91
Transitional quarter	49	1.17
1976	184	1.29
Piedmont Aviation:		
1977	113	.68
Transitional quarter	43	1.03
1976	96	.67
Southern Airways:		
1977	99	.60
Transitional quarter	23	.55
1976	109	.77
Texas International Airlines:		
1977	189	1.14
Transitional quarter	37	.88
1976	125	.88
Aloha Airlines:		
1977	40	.24
Transitional quarter	13	31
1976	47	.33
Hawaiian Airlines:		
1977	64	.39
Transitional quarter	14	.33
1976	34	.24
Alaska Airlines:		
1977	44	.26
Transitional quarter	21	.50
1976	26	.18
Wien Air Alaska:		
1977	25	.15
Transitional quarter	13	.31
1976	76	.53
Air New England:		
1977	79	.48
Transitional quarter	45	1.07
1976	94	.66
Foreign air carriers:		
1977	1,976	11.93
Transitional quarter	550	13.12
1976	1,792	12.58
Supplemental air carriers: *		
1977	971	5.86
Transitional quarter	208	4.96
1976	444	3.12

Carrier	Complaints	Percent
Capitol International Airways	177	18.23
Evergreen International Airlines	19	1.96
McCulloch International Airlines	21	2.16
Modern Air Transport	0	0
Overseas National Airways	170	17.51
Trans International Airlines	244	25.13
World Airways	107	11.02
Foreign supplementals	233	23.99

Commuters:		
1977	491	2.96
Transitional quarter	113	2.70
1976	352	2.47
Freight forwarders:		
1977	253	1.53
Transitional quarter	58	1.38
1976	270	1.90

* Breakout is 1977 only.

Carrier	Complaints	Percent of total
Agents and groups:		
1977	2,241	13.53
Transitional quarter	689	16.44
1976	1,374	9.64
"Other" (including CAB, FAA, Flying Clubs, etc.):		
1977	1,727	10.42
Transitional quarter	324	7.73
1976	1,225	8.60
Total:		
1977	16,567	100.00
Transitional quarter	4,192	100.00
1976	14,247	100.00

COMMUNITY AND CONGRESSIONAL RELATIONS

The Board increased its community and congressional relations activities in promoting a closer working relationship with State and local governments and organizations which represent communities in aviation matters and devoted more than half of its time to legislative matters on airline regulatory reform.

In this regard the Board furnished extensive materials for the House Public Works and Senate Commerce Committees. The Office of Community and Congressional Relations (OCCR) was particularly active during the Senate markup of legislation proposed by Senators Cannon and Kennedy in responding to requests for Board and staff comments on many provisions of the proposed legislation. This assistance was extended to individual Congressmen and Senators who had specific requests concerning their communities and States which required the compiling of economic statistics and comparative information to evaluate the effects of the legislation.

Board and staff members made appearances in 20 congressional hearings, including reform and its impact on safety, reduced-rate transportation, advance notice for tariff filings, Military Airlift Command rates, commuters and air freight forwarders, subsidy problems, and appropriations.

Through the process of informal negotiations, the Board, through OCCR, worked to save the CAB and communities with air service problems considerable time and money that would otherwise have been required to resolve matters through the formal regulatory process. OCCR met with airport, civic, and industry officials and Members of Congress on air service problems at Sioux City, Iowa; Athens, Ga.; Lubbock and Midland/Odessa, Tex.; Waimea, Hawaii; Youngstown, Ohio; and Bakersfield, Fresno, Stockton, Modesto, and Merced, Calif.

OCCR also provided assistance and information about the level and quality of air service at other communities including Charleston, S.C.; Moultrie, Ga.; El Dorado, Ark.; Greenwood, Miss.; Flint, Mich.; and civic interests near Dulles Airport.

The office represented the Board in meetings of the Massachusetts

Airport Managers' Association, the Wyoming Airport Operators' Council, the International Northwest Aviation Council, the Great Lakes Chapter and the Northeast Chapter of the American Association of Airport Executives, and the annual meetings of the Airport Operators' Council International and American Association of Airport Executives.

OCCR was named as the contact point for the Commuter Airline Association of America and participated in several of their meetings throughout the country, and made efforts to strengthen informal liaison with individual State aeronautics directors. The office participated in the National Association of State Aviation Officials' annual meeting and in a meeting with the Aviation Advisory Board for the State of Virginia, to discuss ways in which the States could be more effective in CAB matters.

In response to growing questions about the effects of reform legislation on air service to Alaska and the problems in serving several small communities and bush points which were transferred from Alaska Airlines to Wien Airlines, a representative of the office traveled with a member of the Senate Commerce Committee staff to Alaska to meet with the Governor, the Alaska Transportation Commission, the mayors of Anchorage, Fairbanks, and Unalakleet, the Alaska Air Carrier Association, and the aviation committee of the Fairbanks Chamber of Commerce.

The workload from Congress involving constituent requests for information concerning charters, consumer problems, and reform reached an all-time high and is expected to increase in the next fiscal year when active consideration of reform legislation moves forward in the House.

COURT CASES

Litigation during fiscal year 1977 and the last 3 months of fiscal 1976, for the most part, consisted of direct statutory review of Board orders in the U.S. courts of appeals. Nine complaints also were filed in the U.S. district courts against the Board, and on five other occasions, unsuccessful litigants challenging Board orders in the courts of appeals filed petitions for certiorari in the U.S. Supreme Court.

Eighty proceedings were instituted against the Board in the 15-month period, compared with 48 in the preceding 12 months. At the close of the fiscal year, 63 petitions for review had been disposed of; 81 were pending. In the preceding 12 months, 39 petitions for review had been disposed of; and 64 were pending at the end of the period.

An important case pending in the U.S. Court of Appeals for the District of Columbia Circuit at the close of fiscal year 1976, *Continental Air Lines* v. *CAB*, 551 F.2d 1293 (C.A.D.C. 1977), involved a challenge by several scheduled carriers to the Board's decision in Phase 9 of the *Domestic Passenger-Fare Investigation* (docket 21866, orders 74–3–82 and 74–12–109), which prescribed cost-based fare differentials between first-class, coach, and economy services. The court affirmed the Board's determination that first-class fares must be priced at 150–163 percent of coach fares, a level reflecting the cost differences between the two services. The court also found that the Board's determination that economy fares can be set no more than $4 below coach "is sustainable as consistent with respectable economic theory" and "supported by general economic data on the costs of the airline industry." It noted, however, that the Board's subsequent decision in the *Hawaii Fares Investigation* (docket 25474, order 76–10–37), served on October 20, 1976, permitted a greater differential between coach and economy fares than was warranted by cost savings, an approach different from the Phase 9 order. Concerned with "what appears to be a divergence in principle from the Phase 9 economy fare order," the court remanded the record to the Board for further proceeding to obtain clarification of the Board's policy on economy fares. In the meantime, the court held final decision on the economy fare order in abeyance.

Decisions also were forthcoming regarding the Board's disposition of two major route proceedings. In *Delta Air Lines* v. *CAB*, 561 F.2d 293

(C.A.D.C. 1977), the District of Columbia Circuit remanded for further proceedings the Board's decision in the *Miami-Los Angeles Competitive Nonstop Case* (docket 24644), by which the Board determined that there was a need for nonstop service in competition with National Airlines between Miami and Los Angeles and selected Western Air Lines to provide such service (orders 76–3–93 and 76–6–120). The court rejected National's argument that competitive nonstop service on the route was not needed. As to the Board's determination on carrier selection, however, the court held that the Board's updating of the evidentiary record with respect to the comparative qualifications of Pan American and Western had been prejudicial and unfair to Western, and on that basis remanded the record "for adversarial exploration of the recent developments considered by the Board in reaching its decision to prefer Western over Pan American."

In *Delta Air Lines* v. *CAB,* C.A.D.C. No. 76–1095, the District of Columbia Circuit upheld the Board's determination in the *Fort Myers-Atlanta Case* (docket 27237) to select Eastern Air Lines over Delta Air Lines to provide nonstop service between Fort Myers, Fla., and Atlanta, Ga. (orders 75–10–119 and 76–1–81). The court concluded that the selection of Western was supported by substantial evidence in the record and constituted a fair comparative consideration of the applicants.

Another significant case decided during the fiscal year, *World Airways* v. *CAB,* 547 F.2d 695 (C.A.D.C. 1976), involved a challenge to the Board's dismissal of World's application for certification to perform low-cost transcontinental scheduled service (order 76–1–88). The Board's dismissal was based on its view that the Federal Aviation Act precludes the award of a route certificate for scheduled service to a supplemental (charter) carrier unless the air carrier relinquishes its supplemental certificate. On review, the District of Columbia Circuit disagreed with the Board's statutory interpretation and set aside the order dismissing World's application. The Supreme Court declined review of this decision. Consistent with the court's decision the Board has instituted a new proceeding, the *Transcontinental Low-Fare Rate Proceeding* (docket 30356), to consider World's application on the merits (order 77–10–94).

Two important decisions also were filed by the U.S. Court of Appeals for the Second Circuit during the fiscal year. In the first, *Trans World Airlines* v. *CAB,* 545 F.2d 771 (C.A. 2, 1976), the court denied a petition to set aside regulation SPR–85 amending part 378a of the Board's regulations (14 C.F.R. 378a) to authorize a new form of charter service, one-stop inclusive tour charters (OTC's), which provides for charter tour packages consisting of both air transportation and ground accommodations at a single destination. The court concluded that "the various requirements which restrict the availability of OTC's are adequate to maintain the required distinction between charter services and that

of the regularly scheduled airlines."

The second case, *British Airways Board* v. *CAB,* C.A. 2, No. 76–4226, involved a petition to review Board orders issued under part 213 of the Board's regulations (14 C.F.R. 213) requiring British Airways to file its existing schedules of service to and from the United States and to file proposed schedules for any new or modified service 30 days before making the schedule changes (order 76–9–74). The court agreed with the Board that the schedule-filing order was not an amendment of its foreign air carrier permit and hence required no Presidential approval. It held, however, that the Board was duty-bound to rescind the order without qualification when, in later disapproving a proposed schedule-reduction order, the President advised that "prompt rescission" of the schedule-filing order "would be appropriate and in the interests of our foreign policy." The Board's partial rescission (order 76–10–110) failed to comply with this "directive," and the court set it aside, along with the unrescinded portions of the schedule-filing order.

Another significant case, *Tiger International* v. *CAB,* 554 F.2d 926 (C.A. 9, 1977), involved a challenge to the Board's imposition of conditions on its approval of a tax allocation agreement between Tiger International and its air carrier subsidiary, The Flying Tiger Line (orders 73–12–106 and 75–2–1). The conditions were designed to insure that the air carrier subsidiary would pay only its proportionate share of the company's tax liability and not be drained of necessary working capital. In affirming the Board's order, the ninth circuit concluded that the conditions were a "rational approach to the problem of potential deleterious manipulation of a subsidiary air carrier by its holding company."

Two other decisions acknowledged the Board's discretion to define and limit the scope of route proceedings. In *St. Louis Airport Authority* v. *City of St. Louis,* 561 F.2d 148 (C.A. 8, 1977), the eighth circuit upheld a Board order refusing to expand the scope of the *Seattle/Portland-Japan Service Investigation* (docket 28655) to include consideration of St. Louis as a coterminal point for nonstop Japan service or one-stop service via an existing coterminal (order 76–10–33). In *Greater Peoria Airport Authority* v. *CAB,* C.A.D.C. No. 75–1643, the District of Columbia Circuit affirmed Board orders which declined to include the Peoria-Atlanta market within the scope of the *Peoria Service Investigation* (docket 27761, orders 75–4–103 and 75–6–80).

Finally, in *People of the State of California* v. *CAB,* C.A.D.C. No. 75–2070, the District of Columbia Circuit affirmed Board orders which exempted two intrastate California carriers, Pacific Southwest Airlines and Air California, from Federal regulation insofar as necessary to serve bordering Nevada destinations on flights to Lake Tahoe, Calif. (orders 75–6–135 and 76–3–114).The petitions challenged a Board statement in those orders that "in our view air service at Lake Tahoe is interstate in nature by definition." The court, however, held that the statement was

"dicta" and did not create a case or controversy which that court could or should try to resolve. The court noted that a full factual record on the nature of Lake Tahoe service is now being developed in the Board's ongoing *Lake Tahoe Service Investigation* (docket 29000).

Lastly, at fiscal year's close, several important cases were awaiting decision in the courts of appeals. These included *Braniff Airways* v. *CAB,* C.A.D.C. No. 76–2–43, an appeal from the Board's selection of American Airlines over several other carrier applicants to provide nonstop service between Chicago and Montreal; *National Association of Motor Bus Owners* v. *CAB,* C.A.D.C. No. 76–1979, a challenge to the Board's decision to certificate Air Midwest to replace Frontier Airlines as the federally subsidized carrier to provide eight communities in Kansas and Colorado with scheduled service to Denver, Wichita, and Kansas City; and *People of the State of California* v. *CAB,* C.A.D.C. No. 76–2117, an appeal from the Board's decision (1) that the use of different interstate and intrastate fares by federally certificated carriers between intrastate points in California and Texas resulted in unjust discrimination against interstate passengers paying the higher interstate fare, and (2) that such discrimination must be eliminated by the establishment of a single fare level applicable to both interstate and intrastate passengers traveling between those points.

ADMINISTRATION

KEY PERSONNEL CHANGES

John E. Robson, Chairman of the Board since April 21, 1975, resigned effective April 30, 1977. Dr. Norma Maine Loeser, Managing Director since January 1976, resigned effective June 30, 1977.

President Jimmy Carter designated Member Lee R. West Acting Chairman for the interim period between April 30 and June 10, 1977.

Alfred E. Kahn was nominated by President Carter as a Member of the CAB on May 19, 1977. On June 10, 1977, he was confirmed by the Senate and sworn in as Chairman for a term expiring in December 1982. Dr. Kahn succeeds as a Member R. Tenney Johnson, whose term had expired December 31, 1976, and who continued to serve pending qualification of a successor. Chairman Kahn appointed Dennis A. Rapp Special Assistant to the Chairman and as Managing Director, respectively, on June 13 and July 27, 1977.

Dr. Elizabeth E. Bailey was sworn in as a Member of the Board on August 8, 1977. President Carter nominated Mrs. Bailey on July 7, 1977, to complete John E. Robson's term, which ends in December 1977, and to another 6-year term ending in 1983.

Bruce E. Cunningham resigned as Director of the Bureau of Operating Rights June 27, 1977, and James A. Saltsman was designated Acting Director. Constantine C. Menges, Director of the Bureau of International Affairs (see also Organization Changes), resigned that post July 1, 1977. He was succeeded by Donald A. Farmer, Jr., September 28. Darius W. Gaskins, Jr., was named Director of a new staff component, the Office of Economic Analysis, August 19, 1977.

KEY PERSONNEL

Chairman	Dr. Alfred E. Kahn
Special Assistant	Michael Roach
Vice Chairman	Richard J. O'Melia
Assistant	Elias C. Rodriguez
Member	G. Joseph Minetti
Assistant	Frederic D. Houghteling

Member	LEE R. WEST
Assistant	JOHN T. GOLDEN
Member	Dr. ELIZABETH E. BAILEY
Assistant	BARBARA CLARK
Managing Director	DENNIS A. RAPP
Secretary	PHYLLIS T. KAYLOR
Comptroller	ANTHONY F. TORONTO
Director, Office of Community and Congressional Relations	JAMES L. KOLSTAD
Congressional Relations Officer	CHARLES T. DONNELLY
Director, Office of Information	WALLACE C. STEFANY
Director, Office of Consumer Advocate	JACK YOHE
Director, Office of Personnel	PATRICK F. BOTTONE
Director, Office of Administrative Support Services	VINCENT J. CHAVERINI
Director, Office of Equal Employment Opportunity	CARL FREEMAN
Director, Office of Economic Analysis	Dr. DARIUS W. GASKINS, Jr.
General Counsel	JAMES C. SCHULTZ
Deputy General Counsel	JEROME NELSON
Director, Bureau of Fares and Rates	ARTHUR H. SIMMS
Deputy Director	NORMAN D. SCHWARTZ
Director, Bureau of Operating Rights (Acting)	JAMES A. SALTSMAN
Deputy Director	VACANT
Assistant Director, Formal Proceedings	ROY PULSIFER
Director, Bureau of Enforcement	THOMAS F. McBRIDE
Deputy Director	JAMES L. WELDON, Jr.
Director, Bureau of International Aviation	DONALD A. FARMER, Jr.
Deputy Director	ROSARIO SCIBILIA
Director, Bureau of Accounts and Statistics	RAYMOND KURLANDER
Deputy Director	Dr. SAMUEL L. BROWN
Assistant Director for ADP Planning	ROBIN A. CALDWELL
Chief Administrative Law Judge (Acting)	HENRY SWITKAY
Associate Chief Administrative Law Judge	VACANT

ORGANIZATION CHANGES

The Office of the Comptroller was reorganized on August 6, 1976, through replacement of the Management Analysis Division with the Management Resources and Planning Division. This organizational change and associated increases in staff were effected to initiate an in-

tensified management program which seeks to insure effective utilization of the Board's scarce resources, cope with shifts and increases in workload, and significantly contribute to a Board-wide effort to streamline the regulatory process.

On March 14, 1977, the Office of Facilities and Operations was reorganized into two divisions—the Administrative Services Division and Public Services Division. These changes were made to strengthen managerial effectiveness and provide greater efficiency in carrying out the office's functions; functions of subordinate sections and employees were not affected. The office was subsequently redesignated as the Office of Administrative Support Services.

The Office of Personnel was reorganized on July 28, 1977, to strengthen and provide for its functionally oriented program activities, namely, position classification, staffing, training and career development, and special programs.

The Board established the Office of Economic Analysis (OEA) on August 19, 1977. The OEA will not displace the Board's Bureau of Economics, which was concurrently renamed the Bureau of Fares and Rates (BFR), but will serve in a chief economist function, providing economic counsel, analysis, and testimony in Board proceedings to help the Board achieve its regulatory goal: an efficient and financially sound air transport system providing the combination of prices and services that best serve the needs of travelers and shippers.

Functions and resources of other Board units whose responsibilities were closely related to the new office's activities were transferred to OEA. These included the Division of Economic Analysis from BFR and some of the activities of the Economic Evaluation Division of the Bureau of Accounts and Statistics (BAS). On September 19, 1977, the remaining portion of the Economic Evaluation Division of BAS was redesignated the Financial Analysis and Cost Division.

On September 28, 1977, the Bureau of International Affairs was redesignated the Bureau of International Aviation (BIA). This action initiated a major effort to strengthen the Board's program capabilities in international aviation. BIA will participate in Board proceedings on all international aviation matters.

The Bureau's program will treat routes, rates, charters, capacity, and all other considerations as interrelated parts of an international aviation system. The Bureau will participate in the definition of goals and objectives and develop negotiating strategies for international aviation agreements designed to provide the greatest possible benefit to the traveling and shipping public through the preservation and extension of competition.

During the year the Board revised its Rules on Employee Conduct and Responsibilities (part 370 of the Board's regulations) a revision designed to improve its administration of the rules and to have the rules

reflect the public's greater expectations today as to the conduct of Board Members and employees. The revisions, for example, prohibit a Member or employee from attending virtually any social or promotional function (including luncheons) at the expense of an air carrier or industry trade association.

The Board also amended its rules of conduct in Board proceedings (part 300 of the Board's Procedural Regulations), principally to tighten the bars against improper *ex parte* communications.

In 1977, the Civil Service Commission commended the Civil Aeronautics Board for its strong Equal Employment Opportunity Program. Vigorous affirmative action efforts have resulted in the employment and advancement of minorities and women into all of the key professional occupations with the agency. The Coordinator for the Spanish Speaking, the Federal Women's Program Coordinator, and the Upward Mobility Coordinator have participated in conducting in-house seminars on sensitivity and awareness on the EEO programs and how they affect both employees and supervisors. During 1977, affirmative action plans were expanded for handicapped individuals and disabled veterans.

WORK ITEM TRACKING SYSTEM (WITS)

A multiyear program is underway to develop and implement a computer-based work tracking and management information system, with terminals located in strategic locations throughout the Board. When fully implemented in fiscal 1978, this tracking system will serve the Board and its managers at all levels in managing workload in both the short and long term. Under this system, docketed and other major workload items will be controlled throughout their processing cycle. The system has the capability specifically to monitor designated high-priority items to assure their timely completion.

SELECTED WORKLOAD

Actual 1976 and 1977 Workload and Estimated 1978 Workload for More Significant Categories

Item and fiscal year	Receipts during fiscal year	Completions during fiscal year	On hand end of fiscal year[1]
Formal route cases:			
1976	34	42	43
1977	29	24	40
1978	47	43	44
Informal route matters:			
1976	286	288	101
1977	349	297	145
1978	357	743	159
Cargo and charter licensing:			
1976	6,637	7,165	522
1977	9,587	9,552	648
1978	6,328	6,428	548

SELECTED WORKLOAD—Continued

Actual 1976 and 1977 Workload and Estimated 1978 Workload for More Significant Categories—Continued

Item and fiscal year	Receipts during fiscal year	Completions during fiscal year	On hand end of fiscal year[1]
Formal hearing proceedings:			
1976	99	84	58
1977	158	99	117
1978	104	95	66
International negotiations/consultations/conferences:			
1976	95	93	6
1977	79	70	13
1978	113	113	.....
International studies/analyses:			
1976	1,052	1,048	27
1977	1,122	1,116	21
1978	985	1,006	.....
International aviation problems:			
1976	1,013	1,008	48
1977	1,575	1,575	67
1978	1,533	1,600	.....
Review of tariff filings:			
1976	129,646	131,158	6 818
1977	155,890	154,492	12,913
1978	173,355	173,355	12,913
Tariff referrals and complaints:			
1976	1,542	1,566	71
1977	2,122	1,897	346
1978	2,260	2,260	346
Formal passenger and property rate investigations:			
1976	45	52	36
1977	66	62	40
1978	85	85	40
Passenger and property rate exemptions:			
1976	51	53	.....
1977	98	97	8
1978	110	110	8
Government rates:			
1976	169	252	25
1977	284	307	13
1978	323	268	68
Intercarrier rate agreements:			
1976	1,141	1,169	101
1977	1,320	1,271	159
1978	1,570	1,570	159
Acquisitions, interlocks, and agreements:			
1976	4,293	3,900	816
1977	4,202	1,291	3,816
1978	4,338	7,238	916
Subsidy rates and analyses:			
1976	168	205	38
1977	183	209	79
1978	163	199	43
Subsidy claims and payments:			
1976	148	148	12
1977	148	148	12
1978	148	148	12
Regulation of accounting and reporting systems:			
1976	3,242	3,365	1,576
1977	4,093	4,030	222
1978	4,500	4,480	242
Carrier report schedule filings (number of pages):			
1976	79,200	79,990	750
1977	85,000	85,280	1,000
1978	86,000	85,000	2,000

SELECTED WORKLOAD—Continued

Actual 1976 and 1977 Workload and Estimated 1978 Workload for More Significant Categories—Continued

Item and fiscal year	Receipts during fiscal year	Completions during fiscal year	On hand end of fiscal year[1]
Statistical data reports:			
1976	7,964	8,083	704
1977	9,587	9,595	499
1978	9,526	9,900	125
Audit of subsidized carriers:			
1976	353	155	864
1977	108	108	.....
1978	110	110	.....
Audit of nonsubsidized carriers:			
1976	207	275	1,178
1977	146	146	.....
1978	150	150	.....
Formal and informal enforcement actions:			
1976	1,698	1,355	1,153
1977	1,670	1,423	1,212
1978	1,790	1,480	1,522
Enforcement investigations:			
1976	2,371	2,034	1,154
1977	2,233	2,040	1,373
1978	2,450	2,160	1,663
Consumer complaints:			
1976	14,247	13,438	1,965
1977	16,567	15,685	882
1978	18,400	18,112	1,170
Opinion writing:			
1976	174	177	71
1977	306	239	67
1978	301	284	84

[1] Transition quarter data is not shown and accounts for apparent inaccuracy in fiscal 1977 on-hand totals.

FINANCING BOARD OPERATIONS

Operating costs are paid from funds appropriated annually by the Congress. Salaries and expenses costs for fiscal years 1976 and 1977 and related man-years of employment follow:

Item	Fiscal 1976	Fiscal 1977
Salaries and expenses (000)	$19,855	$22,646
Man-years of employment	752	788

MONEY RETURNED TO THE TREASURY

Transitional Quarter.—The Board collected and deposited $455,000 in the miscellaneous receipt accounts in the Treasury. The money was primarily from filing and license fees. Included in the total was $159,500 received from civil penalties assessed against air carriers.

Receipts From Filing and License Fees
During the Transition Quarter July 1, 1976–September 30, 1976

Paragraph	Fees	Number	Year-to-date transitional quarter amount
(a)(1) Applications—Section 401	$300	31	$9,300
(b) Agreements—Section 412(a)—IATA	50	118	5,900
(b) Agreements—Section 412(a)—Other	50	236	11,800
(b) Agreements—Prior Board Approval	200	12	2,400
(c) Air Cargo Pickup and Delivery	175		
(d) Airport Notices/Authorization	40	4	160
(e) Change in Service Pattern—Heli	40		
(e) Change in Service Pattern—Other	300	5	1,500
(f) Change of Name	300	3	900
(g) Delay Inauguration/Suspend Services	400	11	4,400
(g) Extend Notice of Embargo	25		
(h) Exemption—Section 401 and Special Authorization—Section 417 and Waiver	300	36	10,800
(i) Exemption—Section 403	50	21	1,050
(j) Other Exemptions	100	543	54,300
(j) Each Additional Charter Named	10	2,106	21,060
(k) Free or Reduced Rate Authority	10	23	230
(k) Waiver of Tariff Regulation	10	42	420
(k) Special Tariff Permission	10	526	5,260
(l) Inclusive Tour Charter Prospectus	50	125	6,250
(m) One-Stop and Special Event Charters	50	472	23,600
(n) Study Group Statements	50		
(o) Travel Group Charters	50	79	3,950
(p) Interlocking Relationships	250	10	2,500
(q) Merger Acquisition of Control not Certified	150	5	750
(q) Merger Acquisition of Control Certified	3,000		
(q) Lease Purchase Agreements	50		
(r) Motions	50	69	3,450
(s) Air Freight Forwarder	400	9	3,600
(t) Operating Authorization/Military	400		
(t) Bonds/Military	50		
(u)(v) Tariffs Issued	[1]2		72,118
(w) Request for Waiver	[2]25	1	5
Part 298:			
Air Taxi Registration	15	261	3,915
Total Filing Fees			249,618
License Fees per Attached Schedule			33,000
Total Filing and License Fees			282,618

[1] $2 per page.
[2] $25 or 10 percent of fees, whichever is less.

Fiscal year 1977.—The Board collected and deposited $1,684,000 in the miscellaneous receipt accounts in the Treasury. The money was primarily from filing and license fees. Included in the total was $306,547 received from civil penalties assessed against air carriers.

Receipts From Filing and License Fees
During the Period October 1, 1976–September 30, 1977

Paragraph	Fees	Number	Year-to-date fiscal year amount
(a)(1) Applications—Section 401	$300	233	$69,900
(b) Agreements—Section 412(a)—IATA	50	1,016	50,800
(b) Agreements—Section 412(a)—Other	50	802	40,100
(b) Agreements—Prior Board Approval	200	37	7,400
(c) Air Cargo Pickup and Delivery	175	1	175
(c) Airport Notices/Authorization	40	47	1,880

Receipts From Filing and License Fees
During the Period October 1, 1976–September 30, 1977—Continued

Paragraph	Fees	Number	Year-to-date fiscal year amount
(e) Change in Service Pattern—Heli	$40	1	$40
(e) Change in Service Pattern—Other	300	7	2,100
(f) Change of Name	300	4	1,200
(g) Delay Inauguration/Suspend Services	400	51	20,400
(g) Extend Notice of Embargo	25	7	175
(h) Exemption—Section 401 and Special Authorization—Section 417 and Waiver	300	175	52,500
(i) Exemption—Section 403	50	110	5,500
(j) Other Exemptions	100	1,543	154,300
(j) Each Additional Charter Named	10	9,333	93,330
(k) Free or Reduced Rate Authority	10	153	1,530
(k) Waiver of Tariff Regulation	10	236	2,360
(k) Special Tariff Permission	10	2,359	23,590
(l) Inclusive Tour Charter Prospectus	50	461	23,050
(m) One-Stop and Special Event Charters	50	1,265	63,250
(n) Study Group Statements	50		
(o) Travel Group Charters	50	84	4,200
(p) Interlocking Relationships	250	27	6,750
(q) Merger Acquisition of Control not Certified	150	31	4,650
(q) Merger Acquisition of Control Certified	3,000	2	6,000
(q) Lease Purchase Agreements	50		
(r) Motions	50	450	22,500
(s) Air Freight Forwarder	400	68	27,200
(t) Operating Authorization/Military	400		
(t) Bonds/Military	50		
(u)(v) Tariffs Issued	[1]2		290,663
(w) Request for Waiver	[2]25	22	521
Part 298: (x) Advanced Booking Charters	50	1,371	68,550
Air Taxi Registration	15	3,984	59,760
Total Filing Fees			1,104,374
License Fees per Attached Schedule			195,000
Total Filing and License Fees			1,299,374

[1] $2 per page.
[2] $25 or 10 percent of fees, whichever is less.

License Fee Receipts—Fiscal 1977 (October 1, 1976, through September 30, 1977)

Number	Name of case	Description	Carrier	Fee
76-9-140	Las Vegas-Calgary/Edmonton	Amended cert., route 76-F	Hughes Airwest	$10,000
76-9-164	Peoria Service Investigation	Amended cert., route 107	Ozark	10,000
76-9-164	Peoria Service Investigation	Amended cert., route 29	Continental	20,000
76-9-176	Detroit-Boston	Amended cert., route 86	North Central	40,000
76-9-198	Detroit-Boston	Amended cert., route 132A	Pan American	2,000
76-10-84	Delete Moab, Utah	Amended cert., route 73	Frontier	1,500
76-11-1	Shreveport-Dallas	Amended cert., route 82	Texas International	10,000
76-11-32	Chicago-Montreal	Amended cert., route 56	American	40,000
76-11-151	TIA/Saturn Acquisition Case	Amended cert., Acquisition	TIA	40,000
76-11-137	Delete Paris, Texas	Amended cert., route 73	Frontier	1,500
76-11-135	Regional Feeder Service	Amended cert., route 175	Air Midwest	10,000
77-1-23	Pittsburgh-Atlanta	Amended cert., route 5	Eastern	10,000
			Total	195,000

License Fee Receipts—Transition Quarter (July 1, 1976, through September 30, 1976)

Number	Name of case	Description	Carrier	Fee
76-6-171	Saipan-Japan	Amended cert., route 171	Continental	$10,000
76-6-171	Saipan-Japan	Amended cert., route 170	Air Micronesia	10,000
76-7-118	Delete Borger, TX	Amended cert., route 73	Frontier	1,500
76-7-118	Delete St. Joseph, MO	Amended cert., route 73	Frontier	1,500
	Initial Decision Oakland-Las Vegas/Phoenix	Amended cert., route 76	Hughes Airwest	10,000
			Total	33,000

LEGISLATIVE DEVELOPMENTS

LEGISLATION ENACTED

During the 15-month period, only one measure was enacted which could affect the activities of the CAB. The Hart-Scott-Rodino Antitrust Improvements Act of 1976 (Public Law 94–435), approved September 30, 1976, affects certain areas of antitrust law, including civil procedure applicable to antitrust complaints, premerger notification requirements, and *parens patrie* actions by State attorneys general.

Title II of that Act, "Premerger Notification," creates an exemption from the notification requirements for transactions which are approved by a Federal agency, so long as copies of all information filed with the agency are contemporaneously filed with the Federal Trade Commission and the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice. The CAB currently requires parties in merger cases to file certain information only with the Board. If, however, the parties choose to file contemporaneously the necessary materials with the Trade Commission and the Assistant Attorney General, they would qualify under the provision of Title II for exemption from the notification requirements imposed by the Act.

MATTERS PRESENTED TO THE CONGRESS

The Board's main order of business in the legislative arena in 1977 has been the furthering of the movement for regulatory reform of the air transport industry through testimony and technical comments on pending bills submitted to the Aviation Subcommittees of both Houses of Congress.[1]

As a part of its overall presentation to Congress, the Board proposed legislation for a Service to Small Communities Program. This legislation would establish a new scheme for providing important and needed air service to small and isolated communities concurrently phasing out over a 7-year period the existing subsidy program under section 406 of the Federal Aviation Act. The need for such a program was advanced by

[1] During fiscal year 1977 the Board submitted extensive comments on S. 3830, S. 292, S. 689, S. 1898, S. Working Drafts 2 and 3, and H.R. 8813.

the Board as a part of its 17-point proposal for regulatory reform presented to Congress last year.[2] At that time, however, no specific legislation was offered.

The Board's proposal would authorize the payment of subsidy for services rendered in specific city-pair markets. The level of payment would be based upon the level of service which the Board, after consultation with State and local officials, found should be provided to best serve the public interest. Under the Board's proposal a carrier could be authorized to provide service without being certificated, thereby opening up new opportunities for commuter air carriers which have proven to be extremely efficient at performing small-community service. Many aspects of this proposal have been incorporated into a number of bills now pending in Congress.

[2] See the Board's fiscal year 1976 Annual Report, pp. 72–76.

INTERNATIONAL AIR TRANSPORTATION

ECONOMIC SITUATION

The pressures from adverse elements, mainly those of the energy crisis and inflation, which were largely responsible for the downturn in traffic over the past few years, have eased but have not disappeared. There remains a slowed but upward climb in certain costs, such as labor, fuel, and passenger and food costs. Landing and airport charges in many parts of the world continue to rise. Also, U.S. international carriers are seriously affected by inflation abroad.

Nevertheless, the economic situation for the U.S. international air transportation industry noticeably improved. U.S. scheduled flag carriers showed increases in both passenger and freight traffic with reflecting revenues. The upturn also favorably affected the operating results of both Pan American World Airways and Trans World Airlines, the two U.S. carriers most severely injured by the economic decline.

The supplemental carriers, on the other hand, although continuing as an industry to operate at a profit, nevertheless experienced a sharp decline in profits. The single item most responsible for this condition was the apparent reduced need by the military for transportation services. For civilian passenger traffic and overall air freight, the supplementals reported a modest increase.

Late in fiscal year 1976 the Board stepped up its policy directed toward increased competition and an acceleration of charter services for the singular purpose of bringing lower fares and a more accessible air transportation system to the broadest spectrum of the traveling public. A strong support in these efforts will be expanded charter services, which have been a bulwark against increased fare costs and have, through the years, significantly contributed to more economical transportation. This can be seen from operations in the North Atlantic where charter services have had their greatest exposure. In 1977 the Board intends to increase its pressure for the implementation of this policy in all areas of the world.

Relative to lower fares and expanded charter authority, the Board considers as equally important a corresponding increase in competition within the scheduled carrier ranks. U.S.-flag carriers in the future may

expect increased competition not only from U.S. certificated carriers but also from foreign-flag carriers. Added to this competitive theme, the Board recently approved the innovative low-cost no-frill service proposed by Laker Airways Ltd. This is a no-reservation service for which tickets may be purchased only within a defined period of time before departure, but with considerable savings over past normal fares. This new and unusual fare and service philosophy has prompted other airlines in the market to take competitive actions.

The continued pressure for lower fares and increased competition will have the desired effect of offering to the public an efficient and economical air transport system not hitherto available. The development of these fares will have the added effect for U.S. carriers of further expanding the major markets of the world and encouraging the development of new markets.

BILATERAL RELATIONS

Bilateral Agreements

The number of U.S. air transport agreements in force as of September 30, 1977, remains at 75. This includes the assumption of rights by 15 countries that acquired independence from countries with which the United States has directly concluded an agreement. (Exhibit 1.) With those countries where no agreement is in force, such as with Argentina, the Philippines, countries of Central America, and parts of Europe, Africa, and Asia, the U.S. bilateral air transport relations are managed or regulated on the basis of unilateral grants of operating authority by each country, or on the basis of comity and reciprocity. In the case of Argentina a Memorandum of Understanding extends over a period of 6 years with an expiration date of October 31, 1983. The Understanding, however, does not meet the criteria of a formal air transport agreement.

Included in the above figures are three air transport agreements with Canada, Jordan, and Yugoslavia covering charter or nonscheduled services. There also remains in effect since 1953 a charter understanding with Japan which covers the charter services operated by the scheduled airlines only. In fiscal year 1977 the United States renewed Memoranda of Understanding with Belgium, Switzerland, and the United Kingdom that are concerned mainly with the charterworthiness aspects of charter flights.

Exhibit 1

U.S. Bilateral Air Transport Agreements in Force September 30, 1977

Arab Republic of Egypt	Lebanon[2]
Australia	Liberia
Austria	Malagasy Republic[1 2]
Bahamas[1]	Malaysia
Belgium[3]	Malta[1 2]
Bolivia	Mauritius[1 2]
Brazil	Mexico
Burma[2]	Morocco
Canada[3]	Netherlands
Chile	New Zealand
China, Republic of	Nigeria[1]
Colombia	Norway
Congo Brazzaville[1 2]	Pakistan[5]
Cuba[2]	Panama
Cyprus[1 2]	Paraguay
Czechoslovakia	Peru
Denmark	Poland
Dominican Republic	Portugal
Ecuador	Romania[7]
Finland[2]	Sierra Leone[1 2]
France	South Africa
Gambia[1 2]	Spain
Germany	Sri Lanka[1 2]
Ghana[1]	Swaziland[1 2]
Greece	Sweden[2]
Guyana[1]	Switzerland[3]
Hungary	Syria
Iceland[2]	Thailand
India	Trinidad and Tobago[1]
Indonesia[2]	Turkey
Iran	United Kingdom[3]
Ireland	U.S.S.R.
Israel	Uruguay
Italy	Venezuela
Jamaica	Yugoslavia[6]
Japan	Zaire
Jordan[4]	Zambia[1 2]
Korea (South)	

[1] Agreement based on assumption of rights and obligations by subject country of air transport agreement between the former motherland country and the United States.
[2] No current U.S. air carrier operations.
[3] Agreements covering both scheduled and nonscheduled services.
[4] Charter agreement only. Exchange of notes provides for scheduled services until Dec. 31, 1978.
[5] Upon partition from India, Pakistan accepted the United States-India agreement.
[6] Charter agreement and provisional agreement for scheduled services.
[7] Agreement expired Oct. 31, 1976; discussions continue on extension.

Geographic Responsibilities

The Board's responsibilities pertaining to U.S. air transport relations are administered by four units organized along geographic lines. They are:

Western Hemisphere (Area I)—Canada, Mexico, the Caribbean, the Bahamas, Central America, and South America.

Northern Europe (Area II)—Greenland, Iceland, Finland, Scandinavia, Western Europe, Eastern Europe, and the Soviet Union.

Mediterranean and Africa (Area III)—Southern Europe (Portugal, Spain, Italy, Greece, and Turkey), the Middle East, and Africa.

Pacific and Far East (Area IV)—Afghanistan, Pakistan, India, Bangladesh, East and South Asia, and Australasia.

A complete listing of countries with which the United States maintains air transport relations, and the Board Member with the assigned geographic area responsibility, are shown in exhibit 2.

Exhibit 2

Board Members' Geographic Area Responsibility

Western Hemisphere—Member Lee R. West

Argentina
*Bahamas[1]
Barbados
*Bolivia
*Brazil
*Canada
*Chile
*Colombia
Costa Rica
*Cuba[2]
*Dominican Republic
*Ecuador
El Salvador
Grenada[2]
Guatemala
*Guyana[1]
Haiti
Honduras[2]
*Jamaica
*Mexico
Nicaragua
*Panama
*Paraguay
*Peru
Surinam[2]
*Trinidad and Tobago[1]
*Uruguay
*Venezuela

Northern Europe—Vice Chairman Richard J. O'Melia

Albania[2]
*Austria
*Belgium
Bulgaria[2]
*Czechoslovakia
*Denmark
*Finland[2]
*France
Germany, Democratic Republic[2]
*Germany, Federal Republic
*Hungary
*Iceland[2]
*Ireland
Luxembourg
*Netherlands
*Norway
*Poland
*Romania[5]
*Sweden[2]
*Switzerland
*United Kingdom
*U.S.S.R.
*Yugoslavia[4]

* See footnotes at end of table.

Mediterranean and Africa—Member G. Joseph Minetti

Algeria[2]
Angola[2]
*Arab Republic of Egypt
Bahrain[2]
Benin
Botswana[2]
Burundi[2]
Cameroon
Cape Verde Islands[2]
Central African Republic[2]
Chad[2]
*Congo Brazzaville[1 2]
*Cyprus[1 2]
Equatorial Guinea[2]
Ethiopia[2]
Gabon[2]
*Gambia[1 2]
*Ghana[1]
*Greece
Guinea[2]
Guinea Bissau[2]
*Iran
Iraq
*Israel
*Italy
Ivory Coast
**Jordan[2]
Kenya
Kuwait[2]
*Lebanon[2]
Lesotho[2]
*Liberia
Libya[2]
*Malagasy Republic[1 2]
Malawi[2]
Mali[2]
*Malta[1 2]
Mauritania[2]
*Mauritius[1 2]
*Morocco
Mozambique[2]
Niger[2]
*Nigeria[1]
Oman[2]
*Portugal
Qater[2]
Rhodesia[2]
Rwanda[2]
Sao Tome and Principe[2]
Saudi Arabia[2]
Senegal
*Sierra Leone[1 2]
Somalia[2]
*South Africa
*Spain
Sudan[2]
*Swaziland[1 2]
*Syria
Tanzania
Togo[2]
Tunisia[2]
*Turkey
Uganda[2]
United Arab Emirates[2]
Upper Volta[2]
Yemen Arab Republic[2]
Yemen, People's Democratic Republic[2]
*Zaire
*Zambia[1 2]

Pacific and Far East—Member Lee R. West

Afghanistan[2]
*Australia
Bangladesh[2]
Bhutan[2]
*Burma[2]
China, People's Republic of[2]
*China, Republic of
Democratic Kampuchea (formerly Khmer Republic)[2]
Fiji
*India
*Indonesia[2]
*Japan
*Korea (South)
Korea (North)[2]
Laos[2]
*Malaysia
Mongolia[2]
Nauru[2]
Nepal[2]
*New Zealand
*Pakistan[3]
Papua New Guinea[2]
Philippines
Republic of Maldives[2]
Singapore
*Sri Lanka[1 2]
*Thailand
Tonga[2]
Viet Nam[2]
Western Samoa

*Indicates an air transport agreement between the United States and the respective country.
**Charter agreement only. Exchange of notes provides for scheduled services until Dec. 31, 1978.
[1] Agreement based on assumption of rights and obligations by subject country of air transport agreement.
[2] No current U.S. air carrier operations.
[3] Upon partition from India, Pakistan accepted the United States-India agreement.
[4] Charter agreement and provisional agreement for scheduled services.
[5] Agreement expired Oct. 31, 1976; discussions continue on extension.

Consultations and Negotiations

Western Hemisphere

The 6-year Memorandum of Understanding which concluded negotiations between the United States and **Argentina** allows the airlines of both countries to operate additional services. The Understanding calls for each country to issue a single comprehensive operating permit which will authorize the designated airlines of each country to operate specific numbers of combination flights per week over authorized routes. The number of frequencies per week is determined on narrow-bodied air-

craft with the total of 17 for each country at the current level and escalating to 28 for each country by October 1982. Beginning in April 1978 and based on a capacity conversion factor, management may substitute wide-bodied aircraft for narrow-bodied aircraft. With regard to routes, Aerolineas Argentina was granted authority to operate three routes via selected intermediates in Central America and South America to Miami and New York with route 1 extending beyond New York to Montreal. On a fourth route the carrier was authorized to serve Los Angeles via the intermediates La Paz, Guayaquil, Bogota, and Mexico. The U.S. carriers, Braniff and Pan America, were each granted an individual route via Mexico and selected points in Central America and South America to Buenos Aires. The Understanding also provides for management discretion in the operation of all-cargo services and for improved business conditions.

One round of negotiations which mainly concerned routes was held with the Government of **Mexico**. No agreement was reached, but the two countries narrowed their differences.

A total of 64 applications were processed during the fiscal year from foreign air carriers belonging to Western Hemisphere countries for new, amended, or renewed operating permits. Of the total, 10 applications were from South American carriers, 16 from Central American carriers, 23 from Caribbean carriers, and 25 from Canadian carriers. The applications to the Board for permits to operate to the United States included scheduled, nonscheduled, and charter services.

More than 70 U.S. air taxi operators also were designated by the U.S. Government in accordance with the United States-Canada nonscheduled air service agreement to operate nonscheduled air services between the two countries.

Northern Europe

Consultations requested by the Government of **Poland** were held in Washington September 26–28, 1977, for the purpose of discussing charter services and their effect on scheduled services between the United States and Poland. During the discussions Poland announced a new policy that limits charters to protect the scheduled services of the Polish carrier LOT. To complement the restrictive charter policy Poland proposed special low fares on scheduled services which the United States requested be filed with the Board. Poland would not agree to the suspension of the policy, and the discussions ended without agreement.

A series of consultations was held with the **United Kingdom** during 1976 and 1977 following denunciation of the original 1946 Bermuda Agreement on June 22, 1976. The earlier agreement had served as the prototype for most U.S. bilateral civil aviation agreements with other foreign countries. A new agreement was reached on June 22, 1977, and signed by the two Governments in Bermuda on July 23, 1977. The New Bermuda II Agreement added three new points for U.S. origination of

nonstop services to London but included provisions limiting the capacity which U.S. carriers may operate to the United Kingdom and gave up the right of the United States to designate more than one carrier to the United Kingdom except from two U.S. gateway cities. The Agreement retained U.S. round-the-world authority through London and Hong Kong, fifth-freedom rights beyond London to Germany (and temporarily to Scandinavia, Belgium, and Austria), as well as intermediate rights at Japan on the route to Hong Kong, with Thailand and Singapore as beyond points, but the United States relinquished all other fifth-freedom route authority held under the original Bermuda Agreement. Combination routes to the Caribbean and Bermuda were improved, and special all-cargo routes were established worldwide with greater operating flexibility than previously accorded.

The British improved their air opportunities in the United States with the addition of a number of important U.S. destinations for both combination and all-cargo services, and with expanded beyond rights to Central America, South America, and Canada. Their posture in the Pacific also was improved.

Mechanisms for handling differences on capacity control and tariffs in the North Atlantic markets also were instituted in Bermuda II.

Although no agreement on including charter service under Bermuda II was completed, both Governments agreed to continue negotiations to this end.

During the year the United States met twice with the **Soviet Union**. The main issues discussed were ticket sales restrictions in the Soviet Union adversely affecting Pan American, reasonable frequency limits and a mechanism to redress the gross imbalance of traffic and revenues favoring the Soviet carrier, and an acceptable charter arrangement. There was no movement by either government, and no provisions were made for future talks on the issues.

Mediterranean and Africa

The United States held three consultations with **Italy** during the extended fiscal year to discuss capacity and possible revisions in the air transport agreement.

Discussions with **Portugal** in July 1976 and with **Spain** in March 1977 resolved fare problems. Negotiations with **Senegal** in September 1976 and with the **Ivory Coast** in October 1976 and April 1977 narrowed the issues which stand in the way of air transport agreements with those countries.

Discussions with **Jordan** and **Syria** in November 1976 led to intergovernmental understandings that have enabled the carriers of both countries to undertake joint services to the United States. Discussions in November 1976 with **Iran** concerned capacity and the balance of the agreement. Consultations with **Lebanon** were held in March 1977 and again in September 1977. Unable to agree on a formal exchange of route

rights, Lebanon and the United States reached short-term agreement on several outstanding matters, including adjustments in the operating authority of the Lebanese all-cargo carrier. U.S. negotiations with **Saudi Arabia** in June 1977 focused on an exchange of operating rights between the two countries.

Pacific and Far East

Representatives of the Governments of the United States and **Japan** met on six occasions between July 1976 and September 1977 to discuss the balance of benefits under the air transport agreement. Japan sought major revisions to the agreement, but the United States was adamant that outstanding problems (Continental's inauguration of Saipan-Tokyo service and the availability of airport "slots" for the U.S. supplemental carriers) be resolved before revision issues be discussed. Agreement was reached for the inauguration of Saipan-Tokyo service by Continental, and following a temporary resolve of the slot problem, the United States and Japan have agreed to meet in October and in November to discuss revision issues.

The United States and **Australia** held discussions in Canberra in October 1976. These talks served essentially to exchange views on capacity, fares, and other matters related to scheduled services. The United States also expressed its deep concern with Australia's increase in "user charges."

Negotiations with **Indonesia** in Jakarta in February 1977, while inconclusive, made some progress. Differences still remain on major issues (routes, capacity, all-cargo services, and multiple designation).

Consultations were held in Wellington with the Government of **New Zealand** in October 1976 to discuss capacity and fares. The United States was able to reach an understanding on stopover points for the United Kingdom-New Zealand excursion fares.

The United States held four meetings with the **Philippines**, in October 1976 and February 1977 in Manila and in November 1976 and September 1977 in Washington, to discuss current problems and a possible basis for resuming negotiations. No understandings were reached.

Negotiations with the Government of **Singapore** were held in August 1976 in Washington and in February 1977 in Singapore. The agreement reached in September 1977 climaxed many years of negotiations. Singapore received authority to serve Guam, Honolulu, and San Francisco via Hong Kong, and the United States obtained a route to Singapore via various Pacific intermediate points. A unique feature of the understanding was a statement encouraging lower fares and a provision for liberal charter service, both of which will encourage competition and be beneficial to the traveling and shipping public.

Other informal aviation talks were held with the **Republic of China, Fiji**, and **Papua New Guinea** during the year.

Charter

Bilateral negotiations concerning passenger air charter service were conducted with six European countries during the fiscal year and transition quarter. The countries involved were Belgium, the United Kingdom, Italy, Switzerland, Poland, and France. Talks also were held with Canada and Iran. The goal of the talks with Belgium, the United Kingdom, Italy, Switzerland, and Poland was to obtain or renew Memorandums of Understanding regarding the acceptance of charter traffic originating in the homeland of the other bilateral partner. Understandings were reached or renewed with: the United Kingdom, Switzerland, and Belgium. Talks with France and Canada were held to try to obtain their acceptance of U.S.-origin Advance Booking Charters.

Two multilateral consultations were conducted during the reporting period. Both consultations were held with members of the European Civil Aviation Conference. The consultations dealt with 1977 charter operations, the acceptance of Advance Booking Charters, and the status of multilateralism in charter operations.

TRAFFIC DIMENSIONS

Air Carriers

U.S. scheduled carriers.—A total of 20 U.S. certificated airlines served 76 countries, including their possessions, and a total of 128 points. Included in these figures are Flying Tiger and Seaboard, which are all-cargo-only airlines. (Exhibit 3.)

U.S. supplemental.—Eight U.S. supplementals—or charter-only airlines—hold certificates for international charter operations. They are Capital Airways, Evergreen International Airlines, McCulloch International Airlines, Modern Air Transport, Overseas National Airways, Saturn Airways, Trans International Airlines, and World Airways. These airlines are authorized to operate charter services to and from any point in the United States, but only to and from designated countries and regions outside the United States.

U.S. commuter air carriers.—The Board also granted a number of commuter air carriers authority to operate scheduled international services. Air taxi operators also have authority to engage in international services but not on a scheduled basis.

Foreign schedule carriers.—As of September 30, 1977, there were 72 foreign-flag airlines representing nearly as many countries operating scheduled services to 25 points in the United States and 6 points in U.S. territories.

Foreign charter-only carriers.—The Board has granted charter-only operating authority for service between the United States and foreign points to 110 foreign airlines.

Exhibit 3

Foreign Points and Countries Served by U.S. Certificated Carriers in Scheduled Service as of September 30, 1977

Western Hemisphere

Point	Country	Carrier
North America:		
Acapulco	Mexico	AA, BN, EA, WA
Calgary	Canada	RW, WA
Edmonton	do	NW, RW, WA
Guadalajara	Mexico	RW
La Paz	do	RW
Mazatlan	do	RW
Merida	do	PA
Mexico City	Mexico	AA, BN, EA, PA, TI, WA
Monterrey	do	TI
Montreal	Canada	AA, AL, DL, EA
Old Crow	do	WC
Ottawa	do	EA
Puerto Vallarta	Mexico	RW
Thunder Bay	Canada	NC
Toronto	do	AA, AL, EA, NC, UA
Vancouver	do	UA, WA
Whitehorse	Canada	WC
Winnipeg	do	FL, NW, NC
Caribbean and Central America:		
Aruba	Netherlands Antilles (Netherlands)	AA
Balboa/Panama City	Panama	BN, PA
Bridgetown	Barbados	AA, EA
Curacao	Netherlands Antilles (Netherlands)	AA
Fort-de-France	Martinique (France)	AA, EA
Freeport	Bahamas	DL, EA
Grand Cayman	Cayman Islands (U.K.)	SO
Guatemala City	Guatemala	PA
Hamilton	Bermuda (U.K.)	AA, DL, EA
Kingston	Jamaica	AA, EA
Managua	Nicaragua	PA
Montego Bay	Jamaica	AA, EA
Nassau	Bahamas	DL, EA, PA
Pointe-a-Pitre	Guadaloupe (France)	AA, EA
Port-au-Prince	Haiti	AA, PA
Port of Spain	Trinidad & Tobago	EA, PA
St. John's	Antigua	EA
St. Lucia	British West Indies (U.K.)	EA
St. Martin	Netherlands Antilles (Netherlands)	EA
San Jose	Costa Rica	PA
San Salvador	El Salvador	PA
Santo Domingo	Dominican Republic	AA, EA, PA
South America:		
Asuncion	Paraguay	BN
Bogota	do	BN
Brasilia	Brazil	PA
Buenos Aires	Argentina	BN, PA
Cali	Colombia	BN
Caracas	Venezuela	DL, PA
Georgetown	Guyana	PA

Carrier codes at end of table.

Exhibit 3—Continued

Foreign Points and Countries Served by U.S. Certificated Carriers in Scheduled Service as of September 30, 1977—Continued

Western Hemisphere—Continued

Point	Country	Carrier
South America—Continued		
Guayaquil	Ecuador	BN
La Paz	Bolivia	BN
Lima	Peru	BN
Maracaibo	Venezuela	PA, DL
Montevideo	Uruguay	PA
Quito	Ecuador	BN
Rio de Janeiro	Brazil	BN, PA
Santiago	Chile	BN
Sao Paulo	Brazil	BN, PA
Northern Europe		
Amsterdam	Netherlands	PA, SB
Belgrade	Yugoslavia	PA
Bergen/Oslo	Norway	PA
Berlin	Germany	PA
Brussels	Belgium	PA, SB
Bucharest	Romania	PA
Budapest	Hungary	PA
Copenhagen	Denmark	PA
Dublin	Ireland	TW
Dusseldorf	Germany	PA, SB
Frankfurt	do	PA,[1] SB
Geneva	Switzerland	TW, SB
Hamburg	Germany	PA
London	United Kingdom	PA, SB, TW, NA
Moscow	U.S.S.R	PA
Munich	Germany	PA, SB
Nice	France	TW
Nuremberg	Germany	PA
Paris	France	SB, TW[1]
Prague	Czechoslovakia	PA
Shannon	Ireland	TW
Stockholm	Sweden	PA
Stuttgart	Germany	PA, SB[1]
Vienna	Austria	TW[1]
Warsaw	Poland	PA
Zurich	Switzerland	SB, TW
Mediterranean and Africa		
Mediterranean:		
Ankara	Turkey	PA
Athens	Greece	TW
Barcelona	Spain	TW
Damascus	Syria	PA
Istanbul	Turkey	PA
Lisbon	Portugal	PA, TW
Madrid	Spain	TW, PA
Malaga	do	TW
Milan	Italy	SB, TW
Pisa	do	SB
Rome	do	PA, TW
Santa Maria	Azores (Portugal)	TW

Carrier codes at end of table.

[1] Service temporarily reduced to one combination carrier or changed by PA/TW route exchange effective January 1975.

Exhibit 3—Continued

Foreign Points and Countries Served by U.S. Certificated Carriers in Scheduled Service as of September 30, 1977—Continued

Mediterranean and Africa—Continued

Point	Country	Carrier
Mediterranean—Continued		
Teheran	Iran	PA
Tel Aviv	Israel	TW
Africa:		
Abidjan	Ivory Coast	PA
Accra	Ghana	PA
Cairo	Egypt	TW
Casablanca	Morocco	TW
Cotonou	Benin	PA
Dakar	Senegal	PA
Dar es Salaam	Tanzania	PA
Douala	Cameroon	PA
Johannesburg	South Africa	PA
Lagos	Nigeria	PA
Libreville	Gabon	PA
Kinshasa	Zaire	PA
Monrovia	Liberia	PA
Nairobi	Kenya	PA

Pacific and Far East

Far East:		
Bangkok	Thailand	PA
Hong Kong	United Kingdom	FT, NW, PA
Kao-hsiung	China, Republic of	FT
Karachi	Pakistan	PA
Kuala Lumpur	Malaysia	PA
Manila	Philippines	FT, NW, PA
Naha	Okinawa (Japan)	FT, NW, PA
New Delhi	India	PA
Osaka	Japan	FT, NW, PA,
Seoul	Korea (South)	FT, NW
Singapore	Singapore	PA
Taipei	China, Republic of	FT, NW, PA
Tokyo	Japan	FT, NW, PA
Pacific:		
Auckland	New Zealand	PA
Melbourne	Australia	PA
Nadi	Fiji	PA
Papeete	Tahiti	PA
Sydney	Australia	PA

Carrier Codes (and list of U.S. scheduled carriers serving foreign points):

AA American Airlines
AL Allegheny Airlines
AS Alaska Airlines
BN Braniff International Airways
DL Delta Air Lines
EA Eastern Air Lines
FL Frontier Airlines
FT Flying Tiger Line (all-cargo carrier)
NA National Airlines
NC North Central Airlines
NW Northwest Orient Airlines
PA Pan American World Airways
RW Airwest
SB Seaboard World Airlines (all-cargo carrier)
SO Southern
TT Texas International Airlines
TW Trans World Airlines
UA United Air Lines
WA Western Air Lines
WC Wien Air Alaska

Exhibit 4

Points Served in the United States by Foreign Carriers in Scheduled Service as of September 30, 1977

City	*Foreign carrier*
Anchorage	AF, BA, JL, KL, LH, SK, SN
Boston	AC, AF, AZ, BA, IB, IN, LH, SR, TP
Chicago	AC, AF, BA, IN, JM, KL, LH, LL, MX, SK, SR
Cleveland	AC
Dallas/Fort Worth	AC, MX
Denver	MX
Detroit	BA, JM
Honolulu	CI, CP, JL, KE, PR, QF, TE
Houston	AC, AF, AM, KL
Kansas City	MX
Ketchikan	CD
Los Angeles	AC, AF, AM, AR, AV, BA, CI, CP, EU, JL, KE, LH, MX, OP, PL, RG, SK, TE, UT
Miami	AC, AF,[1] AM, AR, AV, BA, BW, DO, EU, GU, IB, JM, KX, LA, LB, LM, LR, MX, NI, OD, OK, OP, PL, RG,TA, TX, UP, VA
New Orleans	GU, SH, TA
New York	AC, AF, AI, AM, AR, AT, AV, AY, AZ, BA, BW, DO, EU, IB, IN, IR, IT, JL, JM, JU, KL, LA, LH, LL, LM, LO, LY, OA, OK, OP, PK, RB, RG, RJ, RK, RO, SA, SK, SN, SR, SU, TL, TP, VA, WT
Philadelphia	BA, JM, LH
St. Louis	MX
San Antonio	MX
San Francisco	AC, CI, CP, JL, QF, PR
Seattle	PW, SK
Spokane	DG
Tampa	AC
Tucson	AM
Washington	AF, BA, IB, SU
Washington/Baltimore	VA
U.S. territories	
Guam, Mariana Islands	JL, ON
Majuro, Marshall Islands	ON
Pago Pago, American Samoa	PH, TE, UT
San Juan, P.R	AF,[1] AV, BW, DO, IB, LI, LM, MX, QQ
St. Croix, V.I	LI
St. Thomas, V.I	LI

[1] May be served only from a French Caribbean point.

Carrier codes at end of table.

Carrier codes:

AC Air Canada
AF Air France
AI Air India
AM Aero Mexico
AR Aerolineas Argentinas
AT Royal Air Maroc
AV Avianca (Colombia)
AY Finnair
AZ Alitalia
BA British Airways
BW British West Indian Airways (BWIA)
CD Trans-Provincial Airlines
CI China Airlines (CAL)
CP Canadian Pacific Air
DG Arrow Aviation
DO Dominicana de Aviacion
EU Ecuatoriana (Ecuador)
GU AVIATECA (Guatemala)
IB Iberia (Spain)
IN Aerlinte Eirann Teoranta (Ireland)
IR Iran Air
IT Air Inter
JL Japan Air Lines (JAL)
JM Air Jamaica
JU Yugoslav Airlines
KE Korean Air Lines (KAL)
KL K.L.M. Royal Dutch Airlines
KX Cayman Airways
GK Laker Airways Limited
LA LAN (Chile)
LB LAB (Bolivia)
LH Lufthansa (Germany)
LI Leeward Islands Air Transport (LIAT)
LL Icelandic Airlines—Loftleidir
LM Dutch Antillean Airlines
LO LOT (Poland)
LR LACSA (Costa Rica)
LY El Al (Israel)
MX Mexicana
NI Lanica (Nicaragua)
OA Olympic Airways (Greece)
OD Aerocondor (Colombia)
OK Czechoslovakia Airlines (CSA)
ON Air Nauru (Nauru)
OP Air Panama
PH Polynesian Airlines (Western Samoa)
PK Pakistan International Airlines (PIA)
PL AeroPeru
PR Philippine Air Lines (PAL)
PW Pacific Western (Canada)
QF Qantas (Australia)
QQ Aerovias Quisqueyana (Dominican Republic)
RJ Alia-Royal Jordanian Airlines
RG Varig (Brazil)
RB Syrian Arab Airlines
RK Air Afrique[1]
RO Tarom (Romania)
SA South African Airways
SH SAHSA (Honduras)
SK Scandinavian Airlines System (SAS)[2]
SN SABENA (Belgium)
SR Swissair
SU Aeroflot (USSR)
TA TACA International (El Salvador)
TE Air New Zealand
TL Trans-Mediterranean Airways (Lebanon)
TP TAP (Portugal)
TX TAN (Honduras)
UP Bahamasair (OIA)
UT UTA (France)
VA VIASA (Venezuela)
WT Nigerian Airways

[1] Member countries of Air Afrique: Benin, Central African Republic, Chad, Congo, Gabon, Ivory Coast, Mauritania, Niger, Senegal, Togo, and Upper Volta.
[2] Member countries of SAS: Denmark, Norway, and Sweden.

Passenger Traffic

General.—Total U.S. air passenger traffic increased from 25 million in 1972 to 27.1 million in 1976. This modest increase for the 5-year span does not fully reflect the downturn in traffic over the previous 3 years, which were affected by the energy crisis and inflation. The figures include passenger arrivals and departures on scheduled and chartered flights by U.S.- and foreign-flag carriers. (Exhibit 5.)

U.S. citizen travel also increased in 1976 over the 3 previous years, but fell short of the total of citizen travel in 1972 by .35 million. Alien traffic, however, has increased in every year since 1972. In that year there was a total of 9.2 million compared with 11.6 million in 1976. While the U.S. citizen share of total air traffic in 1976 increased by four-tenths of 1 percent over 1975, it fell short of 1972 by 6.2 percent.

Exhibit 5

Air Passenger Travel Between the United States and Other Countries by Citizenship, Calendar Years 1972–76[1]

Year	Number of passengers (000)			Percent
	U.S. citizens	Aliens	Total	U.S. citizen
1972	15,807	9,213	25,020	63.2
1973	16,306	10,353	26,659	61.2
1974	15,317	10,739	26,056	58.8
1975	14,623	11,205	25,828	55.6
1976	15,455	11,646	27,100	57.0
Percent change 1976/1972	−2.2	26.4	8.3	

[1] Based on number of air passenger arrivals and departures at U.S. gateway points with the exclusion of travel over land borders (except Mexican air travel), military personnel, crewmen, and travelers between the United States and its possessions.

Source: "Reports of Passenger Travel Between the United States and Foreign Countries," Immigration and Naturalization Service, U.S. Department of Justice, Washington, D.C.

The U.S.-flag carrier share of total air travel also indicated a slight increase over 1975. This nevertheless marks an improvement over the 3 previous years, during which the U.S. carrier share declined from 54.5 percent in 1972 to 50.3 percent in 1976. (Exhibit 6.)

Exhibit 6

Air Passenger Travel Between the United States and Other Countries by Flag of Carrier, Calendar Years 1972–76[1]

Year	Number of passengers (000)			Percent
	U.S.-flag	Foreign-flag	Total	U.S.-flag
1972	13,640	11,380	25,020	54.5
1973	14,621	12,038	26,659	54.8
1974	13,854	12,202	26,056	53.2
1975	12,941	12,887	25,828	50.1
1976	13,643	13,457	27,100	50.3
Percent change 1976/1972	0	18.3	8.3	

[1] See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The importance of Europe as the largest single U.S. market improved over the decline that set in during 1973. While traffic volume continued to grow in other markets, the European market also improved its position in total market share over 1975 with a registered 41.1 percent. However, this is still below the 1972 level of 45.7 percent. (Exhibit 7.)

Exhibit 7

Air Passenger Travel Between the United States and Other Countries, Calendar Years 1972–76[1]

Year	Number of passengers (000)			Percent Europe
	Europe	Other	Total	
1972	11,424	13,596	25,020	45.7
1973	11,739	14,920	26,659	44.0
1974	10,324	15,732	26,056	39.6
1975	10,076	15,752	25,828	39.0
1976	11,134	15,966	27,100	41.1
Percent change 1976/1972	−2.5	17.4	8.3	

[1] See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The spread between U.S. citizen travel and the traffic U.S.-flag carriers participated in was a minus 6.7 percent in 1976. There is a more pronounced spread in the United States-Europe market where the spread reaches a minus 15.7. Excluding Europe the spread is only a minus .4 percent or, by comparison, about even. (Exhibit 8.)

Exhibit 8

U.S.-Citizen Travel and U.S.-Flag Carrier Market Shares for Calendar Years 1972–76[1]

Area and year	Passengers (percent)		
	U.S. citizens	U.S.-flag	Spread
Between United States and rest of world:			
1972	63.2	54.5	−8.7
1973	61.2	54.8	−6.4
1974	58.8	53.2	−5.6
1975	56.6	50.1	−6.5
1976	57.0	50.3	−6.7
Between United States and Europe:			
1972	66.8	47.1	−19.7
1973	65.3	49.2	−16.1
1974	62.3	46.7	−15.6
1975	61.4	45.0	−16.4
1976	61.1	45.4	−15.7
Between United States and rest of world less Europe:			
1972	60.1	60.8	.7
1973	57.9	59.3	1.4
1974	56.5	57.4	.9
1975	53.6	53.4	−.2
1976	54.2	53.8	−.4

[1] See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The first 6 months of 1977 continued to indicate an improved travel market with an increase of 3.3 percent in passenger volume. This fell short of the 5.8-percent increase of 1976 over 1975. However, 1976 was the recovery year from the traffic downturn in the early 1970's. (Exhibit 9.

Exhibit 9

Air Passenger Travel Between the United States and Other Countries, First 6 Months, Calendar Years 1976-77[1]

Period	Number of passengers (000) 1976	1977	1977/1976 percent change
First 6 months	12,465	12,875	3.3

[1] See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The scheduled carrier share in total U.S. traffic declined in 1976 over 1975 by 2.6 points to 85.4 percent. Indicatively scheduled carrier traffic increased from 23.1 million in 1976 or about 6.8 percent while charter traffic increased from 2.9 million in 1972 to 4.0 million in 1976 with an increase of around 35 percent. (Exhibit 10.)

Exhibit 10

Air Passenger Travel Between the United States and Other Countries by Type of Service, Calendar Years 1972-76[1]

Year	Number of passengers (000) Scheduled	Chartered	Total	Percent scheduled
1972	21,681	2,920	24,601	88.1
1973	22,982	3,216	26,198	87.7
1974	22,580	3,059	25,639	88.1
1975	22,381	3,065	25,446	88.0
1976	23,145	3,955	27,100	85.4
Percent change 1976/1972	6.8	35.5	10.2	

[1] See Exhibit 5, n. 1.

NOTE.—Discrepancies from exhibits due to reporting system. Breakdown of scheduled and chartered traffic is not available prior to 1972.

Source: Same as Exhibit 5.

The percentage of U.S. citizen traffic to overall traffic continued to decline in 1976 to 54.5 percent from 61.3 percent in 1972. However, U.S. carrier participation remained the same as 1975 with 46.9 percent. (Exhibit 11.)

Exhibit 11

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1972-76[1]

Year	Number of passengers (000) Citizen	Alien	Total	Percent US. citizen
1972	13,281	8,400	21,681	61.3
1973	13,644	9,338	22,982	59.4
1974	13,011	9,569	22,580	57.6
1975	12,404	9,977	22,381	55.4
1976	12,604	10,541	23,145	54.5
Percent change 1976/1972	−5.5	25.5	6.8	

Exhibit 11—Continued

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1972–76[1]—Continued

Year	Number of passengers (000)			Percent
	U.S.-flag	Foreign-flag	Total	U.S.-flag
1972	11,087	10,594	21,681	51.1
1973	11,623	10,359	22,982	50.6
1974	11,089	11,491	22,580	49.1
1975	10,486	11,895	22,381	46.9
1976	10,865	12,280	23,145	46.9
Percent change 1976/1972	−2.0	15.9	6.8	

[1] See Exhibit 5, n. 1.

NOTE.—Breakdown of scheduled and chartered traffic is not available prior to 1972.

Source: Same as Exhibit 5.

Scheduled air traffic in the United States-Europe market showed a slight improvement over 1975 but was still 0.75 million passengers below the 1972 level of 9.2 million. Other markets have indicated increases for every year from 1972 and in these 5 years have indicated a 17.8-percent increase. (Exhibit 12.) In scheduled air traffic U.S. citizens still predominate with 58.9 percent of the total United States-Europe market while U.S.-flag carriers carried only 38.5 percent, approximately the same as in 1975. (Exhibit 13.)

Exhibit 12

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1972–76[1]

Year	Number of passengers (000)			Percent
	Europe	Other	Total	Europe
1972	9,244	12,437	21,681	42.6
1973	9,355	13,627	22,982	40.7
1974	8,310	14,270	22,580	36.8
1975	8,034	14,347	22,381	35.9
1976	8,490	14,655	23,145	36.7
Percent change 1976/1972	−8.2	17.8	6.8	

[1] See Exhibit 5, n. 1.

NOTE.—Breakdown of scheduled and chartered traffic is not available prior to 1972.

Source: Same as Exhibit 5.

Exhibit 13

Scheduled Air Passenger Travel Between the United States and Europe, Calendar Years 1972–76[1]

Year	Number of passengers (000)			Percent U.S.
	Citizen	Alien	Total	citizen
1972	6,042	3,202	9,244	65.4
1973	5,945	3,410	9,355	63.6
1974	5,067	3,243	8,310	61.0
1975	4,815	3,219	8,034	60.0
1976	5,004	3,486	8,490	58.9
Percent change 1976/1972	−17.2	8.9	−8.2	

Exhibit 13—Continued

Scheduled Air Passenger Travel Between the United States and Europe, Calendar Years 1972–76[1]—Continued

Year	Number of passengers (000)			Percent
	U.S.-flag	Foreign-flag	Total	U.S.-flag
1972	3,874	5,370	9,244	41.9
1973	3,912	5,443	9,355	41.8
1974	3,311	4,999	8,310	39.8
1975	3,050	4,984	8,034	38.0
1976	3,270	5,220	8,490	38.5
Percent change 1976/1972	−15.6	−2.8	−8.2	

[1] See Exhibit 5, n. 1.

NOTE.—Breakdown of scheduled and chartered traffic is not available prior to 1972.

Source: Same as Exhibit 5.

Transatlantic charter passenger movements in 1976 increased by 14 percent over 1975. The United Kingdom, Germany, and France had the largest increases, with France replacing Italy as the third largest U.S. charter market. All U.S. charter markets produced 4.9 million seats, an increase of 17.3 percent over 1975. (Exhibit 14.)

The transatlantic market continues to predominate the charter services. The Canadian market, which showed a large increase in 1975, leveled in 1976 to a 6-percent increase and was reduced from the second charter to third. The largest increase in charter activity was in Latin America and the Caribbean, which showed an increase of 38 percent with a total of 1,050,422 seats. (Exhibit 15.)

Exhibit 14

Charter Traffic Between the United States and Foreign Countries by Number of Seats, Calendar Years 1975–76

	1975		1976		1976/1975 percent change
	Number	Percent	Number	Percent	
Transatlantic:					
United Kingdom	585,014	13.9	782,528	15.9	33.8
Germany	519,310	12.4	620,544	12.6	19.5
Italy	250,245	6.0	183,099	3.7	−26.8
Spain	248,601	5.9	171,597	3.5	−31.0
France	162,999	3.9	248,063	5.0	52.2
Switzerland	122,629	2.9	170,470	3.5	39.0
Netherlands	119,602	2.8	141,424	2.9	18.2
Belgium/Luxembourg	114,389	2.7	98,894	2.0	−13.6
Ireland	88,968	2.1	127,210	2.6	43.0
Greece	31,768	.8	93,791	1.9	195.2
Portugal	10,588	.2	11,887	.2	12.3
Other	324,290	7.7	291,156	5.9	−10.2
Total	2,578,403	61.4	2,940,663	59.7	14.0
World total	4,195,696	100.0	4,921,812	100.0	17.3

Source: CAB forms 41 and 217.

Exhibit 15

U.S. International Passenger Charter Flights by Seats and Class of Carrier, Calendar Years 1975–76

	1975		1976		
	Number	Percent	Number	Percent	1976/1975 percent change
Transatlantic:					
U.S. route	71,314	28.4	1001,946	3.1	3.0
U.S. supplemental	1,004,778	39.0	930,590	31.6	−7.4
Foreign route	412,204	16.0	575,642	19.6	39.6
Foreign charter	430,107	16.7	432,482	14.7	.6
Total	2,578,403	100.0	2,940,663	100.0	14.0
Transpacific:[1]					
U.S. route	28,853	11.7	25,262	8.9	−12.5
U.S. supplemental	77,649	31.5	87,307	30.8	12.4
Foreign route	136,003	55.2	161,452	57.0	18.7
Foreign charter	4,087	1.7	9,246	3.3	126.2
Total	246,592	100.0	283,267	100.0	14.9
Latin American and Caribbean:					
U.S. route	572,097	75.3	746,039	71.0	30.4
U.S. supplemental	111,040	14.6	219,081	20.9	97.3
Foreign route	76,432	10.1	83,837	8.0	9.7
Foreign charter	496	.1	1,465	.1	195.4
Total	760,065	100.0	1,050,422	100.0	38.2
Canada:					
U.S. route	64,906	10.6	69,515	10.7	7.1
U.S. supplemental	5,852	1.0	13,709	2.1	134.3
Foreign route	37,765	6.2	237,867	36.7	529.9
Foreign charter	502,203	82.2	326,369	50.4	−35.0
Total	610,636	100.0	647,460	100.0	6.0
Total:					
U.S. route	1,397,170	33.3	1,842,765	37.5	31.9
U.S. supplemental	1,199,319	28.6	1,250,687	25.4	4.3
Foreign route	662,314	15.8	1,058,798	21.5	59.9
Foreign charter	936,893	22.3	769,562	15.6	−17.9
Total	4,195,696	100.0	4,921,812	100.0	17.3

[1] Data do not include traffic to/from U.S. Pacific possessions.

Source: CAB forms 41 and 217.

Freight Traffic

The relationship of freight in revenue ton-miles to total revenue ton-miles has remained rather stable since 1972. In 1972 there were 2,484 billion revenue freight ton-miles out of a total revenue ton-miles of 7,220 billion or about 34 percent compared to 2,453 freight revenue ton-miles in 1976 out of 6,926 or about 35 percent. (Exhibit 16.) In these same years freight produced $484 million in 1972 compared to $626 million in 1976. The relationship of freight revenues to total revenues also continued to remain stable through the years. In 1976 freight in scheduled service increased its lead over charters yielding nine times the revenue of charter freight compared to eight times in 1975.

Exhibit 16

U.S. Certificated Route Air Carriers—Revenue Ton-Miles in International/Territorial Operations, Calendar Years 1972–76

Year	Revenue ton-miles (millions)				Percent of total		
	Freight	Passenger	Mail, express	Total	Freight	Passenger	Mail, express
1972	2,484	4,220	516	7,220	34	59	7
1973	2,307	4,390	524	7,221	32	61	7
1974	2,391	4,038	472	6,901	35	58	7
1975	2,304	3,732	427	6,463	36	58	6
1976	2,453	4,066	407	6,926	35	59	6

Source: "Handbook of Airline Statistics," 1975 ed.; "Air Carrier Traffic Statistics," December 1974, 1975, and 1976.

Exhibit 17

U.S. Scheduled Air Carriers—Transport Revenues by Service and Traffic Class, International and Territorial Operations, 1972–76

[In thousands]

	1972	1973–1974	1975	1976	
Scheduled services:					
Freight	$342,322	$380,782	$488,397	$528,020	$564,003
Express	267	242	301	148	254
Mail	109,966	108,912	117,688	121,868	111,542
Passenger	1,706,512	1,894,914	2,121,651	2,230,081	2,410,987
Excess baggage	14,459	15,231	20,965	25,476	27,259
Charter services:					
Freight	106,119	56,796	55,497	6,2583	61,783
Passenger	199,426	216,917	230,832	239,072	253,830
Other transport revenues	4,179	6,638	21,243	23,404	28,936
Overall transport revenues	2,483,250	2,608,433	3,056,573	3,230,653	3,458,594

Source: "Report of Financial and Operating Statistics for Certificated Air Carriers," as submitted by U.S. certificated carriers.

The value of goods transported by air in total U.S. foreign trade remains at about 12 percent. As in the past, air transportation of goods continues to be favorable to the U.S. balance of payments. (Exhibit 18.)

Exhibit 18

U.S. Foreign Trade, Value of Goods Transported by Air Versus Total, 1972–76

[Millions of dollars]

	1972	1973	1974	1975	1976
Air trade:					
Exports	7,627	10,430	13,539	14,625	17,398
Imports	5,160	6,930	8,922	8,917	10,920
Balance	2,468	3,500	4,617	5,708	6,478
Total trade:					
Exports	49,778	71,314	97,143	106,157	114,802
Imports	55,563	69,121	100,972	96,940	120,677
Balance	−5,787	2,193	−3,829	9,217	−5,785

NOTE.—Data include exports of foreign merchandise and Department of Defense export shipments.

Source: Bureau of the Census, U.S. Department of Commerce, "Statistical abstract of the United States" and "Foreign Trade Reports."

The ratio of goods shipped by air as compared to vessel has been rather constant since 1972. Neither is there a movement away from the fact that air transportation accounts for shipping more exported goods than imports. (Exhibit 19.)

Exhibit 19

Foreign Trade—Air Share of Air and Vessel Trade, Value and Shipping Weight, Calendar Years 1972–76

	1972	1973	1974	1975	1976
Value:					
Exports: [1]					
Air (millions of dollars)	7,516	9,092	13,292	13,969	17,398
Air plus vessel (millions of dollars)	33,274	48,723	68,890	75,426	83,804
Air percentage	23	19	19	19	21
Imports:					
Air (millions of dollars)	5,159	6,930	8,922	8,917	10,920
Air plus vessel (millions of dollars)	38,825	49,532	76,078	63,513	94,886
Air percentage	13	14	12	14	12
Total:					
Air (millions of dollars)	12,675	16,022	22,214	22,886	28,318
Air plus vessel (millions of dollars)	72,099	98,255	144,977	138,939	178,690
Air percentage	18	16	15	16	16
Shipping weight:					
Exports: [1]					
Air (millions of pounds)	1,072	1,352	1,559	1,381	1,494
Air plus vessel (millions of pounds)	461,959	549,915	530,528	538,357	569,162
Air percentage	0.23	0.25	0.29	0.26	0.26
Imports:					
Air (millions of pounds)	931	1,002	1,058	1,062	1,212
Air plus vessel (millions of pounds)	702,562	876,219	894,848	855,271	1,076,342
Air percentage	0.12	0.11	0.12	0.12	0.11
Total:					
Air (millions of pounds)	2,003	2,354	2,617	2,443	2,706
Air plus vessel (millions of pounds)	1,164,521	1,426,134	1,425,376	1,393,628	1,648,210
Air percentage	0.17	0.17	0.18	0.18	0.16

[1] Excludes special category commodities.

Source: Bureau of the Census, U.S. Department of Commerce, "Foreign Trade Reports."

Total weight transported in the 5 years under review increased from 2,003 (in millions of pounds) in 1972 to 2,705 (in millions of pounds) in 1976 or about 35 percent. (Exhibit 20.)

The United States-Europe market remains the leading overall freight market and accounted for approximately 39 percent of total weight shipped, about the same as 1975. The United States-Asian market also remained the second leading market, representing about 28 percent in 1976, an increase of 3 percentage points over 1975. (Exhibit 21.)

U.S. carrier share of U.S. airborne trade continued to decline in 1976 in most of the major markets. It registered the most significant decline in imports, dropping from 43.6 percent in 1975 to 41.5 percent in 1976. The transportation of exports, however, remained fairly stable at 33.9 percent. (Exhibit 22.)

Exhibit 20

U.S. Foreign Air Trade, Year-by-Year Increase in Shipping Weight, 1972–76

	1972	1973	1974	1975	1976
Exports:[1]					
Shipping weight (millions of pounds)	1,072	1,352	1,559	1,381	1,493
Increase from previous year (millions of pounds)		280	207	−178	112
Percent increase		26	15	−11	8
Percent change (progressive) 1976/1972		26	45	29	39
Imports:					
Shipping weight (millions of pounds)	931	1,002	1,058	1,062	1,212
Increase from previous year (millions of pounds)		71	56	4	150
Percent increase		8	6	0	14
Percent change (progressive) 1976/1972		8	14	14	30
Total:					
Shipping weight (millions of pounds)	2,003	2,354	2,617	2,443	2,705
Increase from previous year (millions of pounds)		351	263	−174	262
Percent increase		18	11	−7	11
Percent change (progressive) 1976/1972		18	31	22	35

[1] Excludes special category commodities.

Source: Bureau of the Census, U.S. Department of Commerce, "Foreign Trade Reports."

Exhibit 21

Distribution of United States-Foreign Air Trade by Continent, Calendar Year 1976

Continent	Shipping weight pounds (000)	Percent distribution
Europe	1,049,295	38.7
Asia	760,379	28.1
North America	431,059	17.8
South America	306,892	11.3
Africa	51,311	1.9
Australia and Oceania	45,739	1.7
Unidentified	12,984	0.5
Total	2,707,658	100.0

Source: Bureau of the Census, U.S. Department of Commerce, "Foreign Trade Reports."

Exhibit 22

U.S. Carrier Share of U.S. Foreign Air Trade, Based on Shipping Weight, Calendar Years 1972–76 (percent)

	1972	1973	1974	1975	1976
North America[1]	39.4	41.4	38.1	37.1	39.0
South America	36.0	36.2	33.1	34.2	33.6
Europe	35.3	36.3	38.2	36.4	33.9
Asia	51.3	46.8	43.0	44.5	43.4
Australia and Oceania	33.2	31.2	32.1	30.0	32.6
Africa	21.5	24.3	25.3	23.4	24.7
Total	39.1	39.1	37.7	37.9	37.3
Exports	34.3	35.4	34.9	33.8	33.9
Imports	44.7	44.2	41.9	43.6	41.5

[1] Includes Central America and the Caribbean.

Source: Reports of the Bureau of the Census, U.S. Department of Commerce, "Foreign Trade Reports."

MULTILATERAL RELATIONS

The International Civil Aviation Organization (ICAO), a specialized agency of the United Nations, celebrated its 30th anniversary on April 4, 1977. ICAO is principally concerned with establishing standards and recommended practices on a worldwide basis in order to insure the safe and orderly growth in international civil aviation. It also helps in providing technical assistance to the developing country members of the United Nations.

The United States is a founding member of ICAO and has played a key role in its activities over the years.

Three significant meetings on air transport matters were held by the ICAO during the past fiscal year. The first meeting of the ICAO panel of experts on the machinery for the establishment of international fares and rates, constituted consistent with clause 1c of assembly resolution A21–26, was convened in Montreal on December 6, 1976, and continued until December 17. Thirteen countries, including the United States, nominated experts to serve on the panel.

The initial work of the panel was concerned with the International Air Transport Association (IATA) machinery for the establishment of scheduled international passenger fares. The panel approved recommendations covering the following subjects: improvements in the IATA machinery; widening the representation in the negotiating machinery; governments' role in the development of fares; principles relating to the determination of fares; practices in the submission and approval of fare proposals; and development of governmental expertise on fare matters. These recommendations provided a basis for the work of two major ICAO meetings: the Special Air Transport Conference, April 1977; and the 22d Session of the Assembly, September/October 1977.

The Special Air Transport Conference (SATC) convened in Montreal in April 1977, as required by Assembly Resolution A21–25. Four items were on the agenda: (1) tariff enforcement; (2) policies concerning international nonscheduled air transport; (3) regulation of capacity in international air transport services; and (4) machinery for the establishment of international air transport fares and rates.

With respect to tariff enforcement, the conference adopted two recommendations. Both called for effective action by States to improve their enforcement of approved tariffs.

The conclusions of the SATC on "Policy Concerning International Non-Scheduled Air Transport" called for the formulation of recommendations by the conference policies aimed at ensuring that international scheduled and nonscheduled operations together satisfy the needs of the public in an efficient manner and, in the case of "Regulation of Capacity in International Air Transport Services," with the type of capacity regulation for scheduled and nonscheduled services that is most conducive to the healthy development of international air transport.

Thus both items deal separately with the policy and capacity aspects of scheduled and nonscheduled operations but also consider the relationship between these two categories.

Clause 1 of the SATC recommendation on nonscheduled air transport called for ICAO Council studies aimed at establishing the distinguishing characteristics between international scheduled and nonscheduled air transport operations, establishing guidelines for the regulation of international nonscheduled air transport, and establishing policy in the field of international nonscheduled air transport. Clause 2 invites the council to examine the feasibility of amending articles 5, 6, and 96(a) of the Chicago Convention and of revising the council's definition of a scheduled international air service. Clause 1 of the recommendation on "Capacity" calls for council studies to develop criteria for the purpose of formulating alternative methods for regulating capacity on international scheduled and nonscheduled air transport and for developing a model clause (or clauses) or guideline for regulating capacity on the basis of prior determination, along with other clauses or guidelines, by member states.

The SATC, with some modifications to the panel of experts' recommendations on international scheduled air fares and rates, accepted the panel's recommendations. The SATC did, however, pass a recommendation calling for the convening of a second air transport conference preferably no later than 3 years after the close of the first conference.

The 22d Session of the ICAO Assembly was held in Montreal, Canada, September 13 to October 5, 1977. The 20 recommendations of the SATC constituted the bulk of the agenda of the Economic Commission. The Economic Commission, after lengthy deliberation, recommended that the recommendations of the SATC be approved and that council move with speed to carry out the studies called for by the conference. The assembly also approved the convening of a second air transport conference.

The CAB also participated with representatives of the Departments of State and Transportation in meetings of the ICAO Legal Committee and subcommittees concerning consolidation of the Warsaw System into a single convention (liability of air carriers to passengers and shippers), revision of the Rome Convention (liability of an air carrier to persons and property on the surface—the United States is not a party to the Rome Convention), consideration of a new Convention on Noise and Sonic Boom, and amendments to the Chicago Convention concerning the Lease, Charter and Interchange of Aircraft in International Operations.

Of particular significance in the air carrier liability area was the submission of amendments to the Warsaw Convention (Montreal Protocols Nos. 3 and 4) to the Senate for ratification on January 14, 1977. Hearings before the Senate Committee on Foreign Relations were held in

July 1977. The protocol amendments would significantly increase the benefits for passengers and shippers under the Warsaw Convention. Most significantly, the limit on recoveries for international passengers injured or killed in a commercial airplane accident would, as the result of the amendments and a Supplemental Compensation Plan approved by the Board under section 412 of the Act (intercarrier agreements), be increased from the current $75,000 limit to approximately $317,000. The United States has been a party to the Warsaw Convention since 1934.

ACTIONS TAKEN UNDER FCPA

This section reports on actions taken under the International Fair Competitive Practices Act of 1974 (FCPA) during fiscal 1977 to eliminate foreign restrictive practices affecting U.S. carriers in their operations abroad, as required by section 2(c) of the Act. Section 2(c) provides that—

> The Civil Aeronautics Board shall report annually to Congress on the actions that have been taken under subsection (a) and on the continuing program to eliminate discriminations and unfair competitive practices faced by United States carriers in foreign air transportation. The Secretaries of State, Treasury, and Transportation shall furnish to the Civil Aeronautics Board such information as may be necessary to prepare the report required by this subsection.

The report reflects information developed by the Departments of State and Transportation and the Civil Aeronautics Board.

Argentina

Argentina was one of five South American countries visited by a U.S. delegation in March 1977 for the purpose of discussing restrictive business practices with the governments of those countries.[1] The delegation included representatives from the Departments of Commerce, State, and Transportation. The particular problems and results relating to Argentina are detailed below:

User charges.—One of the problems discussed with representatives of the Government of Argentina was the substantial increase (300 percent) in the level of that country's user charges. The Argentines stated that the increase was necessitated by devaluation of the peso and by the rampant inflation in Argentina. They also rationalized the increase in terms of a low volume of aircraft traffic and higher unit costs. The U.S. delegation was promised copies of airport and airway cost material being prepared by the Government of Argentina for the International Civil Aviation Organization, as well as copies of a cost allocation study. Neither the former nor copies of the cost allocation study had been received from the Argentine Government at this writing. This matter will

[1] The other countries: Chile, Colombia, Peru, and Venezuela.

be followed up by the U.S. Embassy in Argentina and included in upcoming bilateral negotiations.

Ground handling.—Aerolineas Argentinas, the Argentine national-flag carrier, operates a ground handling monopoly at Ezeiza, the principal international airport at Buenos Aires. U.S. carriers claimed that the costs for the related services had increased sharply while the quality of the services had gone down. The Government of Argentina indicated it was studying the matter and would review U.S. carriers' request to provide their own ground handling services. No information has been received from the Government of Argentina on its review of the matter. It is planned to contact the Argentine authorities on the status of their review.

Fuel prices and taxes.—Although U.S. carriers pay $0.04 per gallon fuel tax in Argentina, Aerolineas Argentinas pays no U.S. tax on fuel purchased in the United States. The fuel tax exemption follows from a 1959 ruling by the Secretary of Commerce which found that de facto tax exemption reciprocity existed between the U.S. Government and the Government of Argentina on civil aircraft fuel and lubricants. In order to reestablish a condition of reciprocity, the U.S. Government team proposed a fuel tax exemption treaty with the Government of Argentina.

The Department of State sent a diplomatic note in December formally proposing a reciprocal tax exemption, and a follow-up note in late January urging expeditious handling of the proposed exemption. The Argentine response, expected to be favorable in view of past discussions on this matter, has not yet been received.

Currency remittance.—U.S. carriers have complained about Argentina's lengthy and restrictive remittance procedures and requirements. The U.S. delegation met with officials of the Central Bank of Argentina on the problem. As a consequence of that meeting, desired changes in Argentina's remittance procedures and requirements were made.

Australia

User charges.—In June the U.S. Government was informed that the Government of Australia had revised the flight factors used to compute its user charges (effective December 1, 1976). This reduced the navigation charges on carriers (primarily the U.S. carriers) approaching Australia from the west. The approximately 25-percent saving, however, was offset by a 15-percent user charge increase also effective December 1. But the net annual saving to U.S. carriers nevertheless was estimated to total $400,000.

In August 1976 the Charges Working Group (CWG) of the International Air Transport Association (IATA) met with the Australian Transport Minister to discuss the recent increases in user charges to international carriers. The Minister agreed that the international sector

was at or above 100-percent cost recovery, but the Government of Australia was currently bound by a statutory requirement to increase charges for domestic and international carriers by equal increments. Since the domestic sector was being charged at levels considerably below full recovery, the Government of Australia was looking for a means of raising domestic charges while keeping international user charges tied to the cost of providing facilities and services.

In December 1976 the Secretary of Transportation acknowledged the reduction in fees to U.S. carriers due to the flight factor restructuring, but advised the Government of Australia that future charge increases resulting in continued over-recovery from international aviation would lead to enforcement of the FCPA provisions.

In June 1977 the U.S. Embassy reported that the Government of Australia had announced that international carriers were at 110 percent of cost recovery, and no increase in charges was scheduled for December 1, 1977. Due to cost increases, this would involve a 10-percent effective reduction in cost recovery from the international sector. Australia's international user charges are expected to remain constant at no more than 100 percent of cost recovery from international users.

Sydney airport rents.—In 1975 Pan American joined other international carriers in a lawsuit protesting the sixfold terminal rent increase at Sydney's Kingsford-Smithe International Airport. (See 1976 Report to Congress.) An initial 1976 ruling in favor of the carriers was overturned by the Supreme Court of New South Wales in November 1976. This was followed by an increase in April 1976 in the U.S. carrier's annual rent to $AU236,531 ($56 per square foot, up from $9 per square foot). Pan American again filed suit against the rent increase and the upper court's decision. The initial 1976 decision in favor of Pan American was overturned by the New South Wales Court of Appeals on May 5, 1977, and the Government of Australia resumed charging at the higher rates, but agreed to negotiate with the carriers on this issue.

Following a meeting with the visiting Australian Transport Minister in June, the U.S. Secretary of Transportation reiterated his hope that the airport rental rate dispute could be successfully resolved. A task force of airline representatives is participating in a review of terminal costs and rental structure. The Department of Transportation is monitoring the effort, which will be discussed during upcoming United States-Australian bilateral negotiations.

Canada

At issue here is the imposition of airways charges for North Atlantic en route flights using Canadian navigational and communication facilities. The lawsuit filed by the U.S. carriers against the Canadian Government has not been settled. In March 1977 the Government of Canada informed the U.S. Government that it had requested the British

Government to collect the airways charges on behalf of Canada. The U.S. carriers protested this action, but the British Government appeared determined to collect the charges. The U.S. Government has sent a formal diplomatic note to the United Kingdom requesting that it delay collection of the disputed charges until the Canadian lawsuit is resolved.

Chile

Delegations from the United States and Chile met in March 1977 to discuss issues possibly related to FCPA.

User charges.—Braniff, the U.S. carrier serving Chile, requested the U.S. Government to investigate the user charge practices of Chile because of the relatively high charges assessed international carriers. Upon analyzing a cost study prepared by the Government of Chile concerning their user charges, the U.S. delegation identified several discrepancies and missing cost information. The Government of Chile replied that in spite of the missing data, its user charge revenues do not cover the costs allocable to international aviation users. The Chilean Government agreed to support its position through additional cost information to be made available early in 1978 and agreed to consider airport concessions revenue as an offset against costs. The U.S. Departments of Transportation and State will continue their investigation of the charging methodology at Chilean airports.

Fuel price tax.—LAN-Chile, the national carrier, pays $0.02 less for aviation fuel than U.S. carriers in Chile. The U.S. delegation discussed a proposal to allow the U.S. carrier to import their own fuel into Chile. The Government of Chile denied any reimbursement for differentials and agreed to consider the importation plan. Chile's right to levy equitable fuel taxes is not disputed. However, it is planned to assist the U.S. carriers in developing a fuel importation plan for presentation to the Chilean Government. Chile has refused to consider a fuel tax exemption treaty because of a policy determination that the international aviation sector is better able to bear fuel taxes than other domestic fuel consumers.

Departure tax.—A complaint that LAN employees on official business were exempt from a 10-percent departure tax while Braniff (noncrew) employees were not was brought to the attention of the Government of Chile, which agreed to study the problem for possible remedy.

Land rent.—Braniff has complained that the rental fee for the land on which their maintenance facility was built was too expensive and unrelated to costs. The Government of Chile explained that land rents were based on an average between undeveloped land and downtown Santiago, Chile, and were based on the Consumer Price Index. The Department of Transportation's analysis of this situation indicates that the cost methodology is nondiscriminatory.

Colombia

Fuel price.—The primary problem in Colombia concerns the difference in fuel prices paid by Braniff and AVIANCA. The reason for the differential appears to be preferential treatment of the national carrier. A $0.13 price difference has been determined to be unrelated to cost and is discriminatory. In June 1976 a settlement appeared imminent, but the Government of Colombia did not raise AVIANCA's fuel price to the same level paid by the U.S. carriers.

A U.S. Government delegation met with Colombian officials in March 1977 to discuss both user charges and the fuel problem. At that time, the Government of Colombia agreed to allow Braniff to bring in bonded fuel. The Government of Colombia and the U.S. carriers were unable to reach agreement prior to August, and the United States provisionally agreed to an extension of AVIANCA's supplemental U.S. fuel allocation to September 30. An agreement on this issue was signed in Bogota on January 11, 1978, effective January 15, 1978, in which the price to Braniff was reduced from $0.55 to $0.45 per gallon. This will result in an annual savings to Braniff of more than $400,000.

Fuel tax.—The rebate of fuel taxes paid by international carriers was given preliminary clearance in March 1977. Braniff was given a rebate of 500,000 pesos, which covered the period between 1967 and March 31, 1972. Subsequent to the March 1977 intergovernmental discussions, the Government of Colombia promised a further 2,000,000-peso refund for the period up to October 1976. In August, however, the Government of Colombia stated that there was actually no fuel tax charged to the U.S. carrier and that there had been no such tax since November 1973. The fuel supplier allegedly had been incorrectly showing a fuel tax on the airline's fuel invoices for over 4 years, but the total fuel price paid by the airline did not include a tax. The 2,000,000-peso refund was canceled, and there have been no further requests for government intervention.

User charges.—The March discussions on user charges included Colombia's overflight fee. Due to the administrative difficulties within the Colombian Department of Civil Aeronautics, cost and revenue estimates of the user charges system are often incomplete. The Colombian Government had requested U.S. Government assistance regarding two U.S. carriers' nonpayment of air navigation charges which, the carriers claim, are excessive. The Colombian Government agreed to review their user charge system and provide the United States with a cost study before the end of 1977. Subsequent to the March 1977 talks, the Colombian Government requested, in turn, cost data from the United States to assist in the preparation of its study. The data have been provided to Colombia, and the Embassy, through the Department of State, will be requested to follow up on the Colombian cost information.

Federal Republic of Germany

Trucking restrictions.—The 1976 interim agreement between the Governments of the United States and Germany allowing U.S. airlines to truck freight between six German cities was extended without alterations through November 1977. In November a new Memorandum was signed which permitted U.S. carriers to substitute the trucking of air-cargo for air services within the Federal Republic without restriction for as long as German carriers enjoy the same freedom within the United States.

Greece

The U.S. Embassy in Greece reported that in summer 1976 legislation governing Olympic Airways was being modified to require user charges to be offset against specific services furnished to the Government of Greece. In May 1977 further inquiries by the Embassy found no tangible progress on this issue. The proposed legislation has apparently been sidetracked by the establishment of a special committee set up to change Olympic Airways' status to that of a government-owned corporation. The actions of the special committee will be reviewed for possible discriminatory aspects.

India

Currency remittance.—In March 1977 the Government of India agreed to release automatically 80 percent of the monthly currency remittance requests of the U.S. carrier. The United States expressed its satisfaction, but asked the Government of India for further improvement in the form of *ex post facto* accounting. In September the U.S. carrier was informed it would be allowed 95-percent automatic remittance of its Indian revenues after each month's remittance application. While the carrier is not allowed the currency remittance flexibility granted foreign carriers in the United States, India's policy is a major improvement over past practices.

Foreign travel scheme.—The principal U.S. concern has been with the foreign exchange provision which allowed more foreign exchange to passengers traveling on Air India than on foreign carriers. This travel restriction was favorably relaxed in October 1977, but the problem has not been entirely resolved.

User charges.—In September 1976 the Government of India announced revised landing and parking fees to international carriers. The proposed new charges represented an increase of approximately 80 percent. Airways charges were to be increased by a much higher margin. The United States urged the Indian Government to hold the new charges in abeyance pending a visit by the IATA Secretary General in January 1977. The Indian Government agreed to the U.S. request, but

pointed out that the present and proposed Government of India charges were not at full cost recovery.

As a result of governmental and IATA representations, the Indian Government revised its rate schedule in January as follows: Landing fees, 75 percent of originally proposed increases; airways charges, 33 percent of originally proposed; and all other charges postponed until April 1978.

In May the Indians announced they were moving toward replacement cost accounting and calculation of full economic costs. The United States then again urged the Government of India to follow a policy of moderation and gradualism in establishing new charges. The Department of Transportation has initiated an investigation of the landing fees and will ask India to provide a cost justification for the recent increases.

Italy

Landing charges.—In fiscal 1977 the landing charge problem with Italy was finally settled to the satisfaction of the United States. Alitalia had been exempted under law from the payment of landing charges at the state-owned Fiumicino and Ciampino Airports at Rome, while U.S. and foreign air carriers were obliged to pay such charges. The U.S. Government repeatedly protested to the Italian Government the discriminatory practice exempting Alitalia from landing charges. The law was finally changed making the Italian carrier subject to the payment of landing charges at the two Rome airports along with foreign carriers. However, Alitalia brought action in an Italian court challenging the change in the law making it now liable for landing charges. Following this action, the United States initiated steps, in accordance with section 3 of the FCPA, to collect compensating landing charges from Alitalia. In fiscal year 1977, the Italian court ruled against Alitalia, ending the problem and obviating any need to collect compensating charges.

Ground handling monopoly.—Following repeated requests by the U.S. Embassy for a Government of Italy response to our May 1976 note (see fiscal year 1976 Report), the Italian Government said during bilateral discussions in January 1977 that the dispute over ground handling by Alitalia was being reviewed by an Italian court. Later communiques from the Embassy reported the Rome Airport Authority's (SAR) reluctance to take over Alitalia's ground handling until SAR's own operations are centralized. The U.S. delegation plans to raise this problem during upcoming bilateral negotiations and is considering for recommendation possible retaliatory measures against the Italian international air carrier.

Discrimination against charters.—Charter flights to Rome of non-Italian airlines, including U.S. carrier charters, are required by the Italian Government to use Ciampino Airport rather than Fiumicino Air-

port, where all other airline operations are stationed. Alitalia flights are not affected by this restriction, and this matter was brought to the attention of the Italian Government during the May 1976 bilateral negotiations. In addition to the problems of inconvenient ground transportation and connections to other flights at Fiumicino, U.S. charters are faced with the difficulty that the runway at Ciampino is not long enough to allow fully loaded wide-bodied jets to lift off with full fuel tanks. An extra stop must be made elsewhere to fill the fuel tanks before beginning the North Atlantic return flight. This matter was included in a May 1976 note to Italy and will be raised again during the January 1978 negotiations. Retaliatory remedies are being considered, including restrictions on Alitalia's charter operations to the United States.

Japan

Landing fees.—The landing fees scheduled for Tokyo's new Narita Airport are 50 percent greater than those currently paid at other Japanese airports. The Narita Airport Authority wants to set the fees to recover not only operating costs but also the maintenance and capital costs accrued since the airport was completed in 1972. The Japanese Government has been asked for cost data to determine whether the proposed charges are cost justified. The charges will be made an issue during the proposed United States-Japanese air transport negotiations.

Fuel throughput user charge.—Fuel charges also have been contested by the carriers scheduled to use Narita Airport. Fuel throughput charges will be 200 percent higher at this airport than at Haneda Airport because extra facilities and lengthy routing are necessary to bring aviation fuel to Narita. U.S. carriers have questioned the reason for being penalized because of Japan's domestic problems, which are the real causes for the extra shipping and storage costs.

Noise surcharge.—In December 1975, 26 carriers filed a lawsuit in Japan to protest a noise charge added to the international landing fees. In April 1977 during intergovernmental negotiations, a list of user charge questions was presented to the Japanese. In July the U.S. Government gave Japan a paper outlining its views on user charges and informed Japan that the United States would seek technical discussions.

Air navigation fees.—The Japanese Civil Aeronautics Bureau (JCAB) earlier this year proposed a 220-percent increase for international en route charges and about half of that for domestic routes. The International Air Transport Association (IATA) protested that the JCAB's 5-year plan given to the carriers for review did not support the dramatic increase. Specifically, IATA concluded that 49.1 percent of the navigation facilities proposed were needed, if at all, only for domestic operations, or at least not within the 5-year period. Furthermore, the increased charge was to finance systems which would not be available for use before late 1979 or 1980.

IATA also estimated that only one-third of the other 50 percent of the air navigation facilities were specifically related to international operations. The remainder is directed toward domestic use.

A revised schedule of charges went into effect on August 1, 1977. The airways facilities charge rose 50 percent from $393 to $589 and will increase 30 percent more to $786 as of April 1, 1978. The U.S. carriers object that the increases do not follow the ICAO principle of gradualism in user charge increases and that international carriers may be subsidizing the domestic navigation system.

The Department of Transportation is working closely with the U.S. international carriers in order to ascertain the validity of the IATA complaints. This issue has been raised during United States-Japanese negotiations and will be an integral part of future bilateral user charge negotiations. The Department is completing its investigation of these charges and will report to U.S. international air carriers on the equity of the air navigation charges.

Mexico

Passenger departure tax.—Bilateral negotiations for a revised air agreement with Mexico have included several user charge topics. The airport passenger departure tax doubled as of March 1977, and the Department of Transportation is attempting to assess whether the increase was cost related.

Landing fees.—In May the Government of Mexico announced that landing fees would henceforth be computed in dollars at predevaluation rates—about an 80-pecent increase. The U.S. carriers initially decided to withhold payment and take legal action. The Government of Mexico has promised the U.S. Embassy data to support the fee increase. The Embassy has recommended that the United States institute an investigation under the FCPA, citing the difficulty of obtaining facts and the failure of a Mexican-appointed commission to publish the results of a 1976 review of user charges.

In July the airlines and Mexico negotiated an out-of-court settlement (a 107-percent landing fee increase over 3 years with quotations in pesos). The Embassy again pointed out the failure of the Mexican Government to provide any data on their system. The U.S. airlines have charged that the Mexican user charges are excessive and inequitable. The U.S. delegation discussed the user charge issue during bilateral negotiations, and Mexico agreed to a side letter which satisfies some of the concerns of the United States. DOT has begun an investigation of the issue.

Air navigation fees.—Also to be included in that investigation are Mexican air navigation charges. The U.S. carriers have stated that the charges are excessive, and DOT is attempting to determine whether or not the charges are totally related to the costs of providing navigational

services to international airlines.

Peru

Fuel prices.—A U.S. delegation met with Peruvian officials in March 1977 to discuss U.S. carrier complaints concerning fuel, user charges, and ground handling. Aviation fuel prices in Peru are among the highest in South America. There is a $0.14 difference between the initial import price of fuel and the price paid by U.S. airlines. AeroPeru pays $0.26 less per gallon for fuel than foreign carriers, a subsidization mandated by the Government. The Peruvian Government, reluctant to give the United States a breakdown of their cost data, has been pressed by the U.S. Embassy for a justification of the high prices. Furthermore, importation of fuel by foreign carriers is contrary to Peruvian law.

User charges.—U.S. carriers have questioned a recent 25-percent increase in user charges. In discussions with the Government of Peru, it was learned that charges had not increased since 1976. The recent increase was prompted by the impact of inflation on the Peruvian economy. Peru's overflight charges are the same as landing fees, and its Government has admitted that the problem of cost allocation to users needs—and they have undertaken—more study. The U.S. Government will be available to assist Peru in determining the reasonableness of its user charge assessment.

Philippines

Landing fees.—In February 1977 the United States learned of a Philippines Government plan to increase international landing fees 100 percent in order to cross-subsidize domestic air services. The U.S. Embassy was requested to inform the Filipino Government of the concerns of the United States, but the Embassy recommended delaying any U.S. action until the airlines had been given an opportunity to handle the matter. The IATA Director General also requested a delay in implementation of the charges pending a government-carrier meeting. Negotiations were unsuccessful, and a revised schedule of increases (a 59-percent increase as of March 1, 1977, and 90 percent more as of March 1, 1978) was approved by Philippine President Marcos. The Department of Transportation initiated a formal investigation of the charges and requested the Embassy to gather available cost data.

Fuel tax.—The Philippines imposes a "Special Fund" tax on aviation petroleum products. U.S. carriers report the tax was approximately $0.581 per gallon in 1976. The U.S. carriers objected to the tax because a 1971 Department of Commerce finding exempts Philippine aircraft from U.S. fuel taxes because reciprocal exemption privileges had been granted U.S. carriers in the Philippines; and the Philippine Government has granted an exemption from the "Special Fund" tax to many foreign airlines but not to U.S. carriers.

A diplomatic note proposing a reciprocal tax exemption was sent to the Philippine Government in late December 1977. No response has yet been received.

Singapore

Ground handling.—The United States and Singapore signed a Memorandum of Understanding in September 1977 covering a ground handling services provision and affording flexibility in arranging for ground handling services. It is not expected that discrimination will be shown between carriers in international operations, and it is expected that charges will be related to costs.

Union of Soviet Socialist Republics

As indicated in the fiscal year 1976 Report, a fundamental problem confronting Pan American in its services to the Soviet Union is its lack of direct access to the Soviet marketplace. It is not free to operate its own ticket and sales offices in the Soviet Union and is otherwise very restricted in its ability to solicit business in the Soviet Union. It must rely on the Soviet state carrier, Aeroflot, to issue its tickets and waybills acting as general sales agent for Pan American. Aeroflot, on the other hand, is free to go wherever it wishes in the Soviet Union to promote and sell its international air services. While the United States has found some solution to the problem, in similarly requiring Aeroflot to sell its services through Pan American acting as its general sales agent in the United States, the lack of adequate access for Pan American to the Soviet Union remains a basic problem.

United Kingdom

Landing fees and peak charges.—In July 1976 the United Kingdom responded to the fiscal year 1975 Report on FCPA by reiterating that the British charges were not discriminatory. In August the British Airports Authority (BAA) released a proposed schedule of charges from April 1, 1977, which involved a steep increase in peak user charges. The controversial distance factor in the landing fee was to be phased out gradually, although the overall level of charges will not diminish. When the distance factor is totally eliminated, it will remove part of the basis for the Department of Transportation's 1975 discrimination finding against British airport and airways charges.

During September 1976 experts of the United States and United Kingdom met to discuss the British charging system, and the United Kingdom agreed to try to assemble supporting cost data. The British presented their data during the December 1976 negotiations. Shortly afterward, the BAA announced a revised schedule of peak charges which added a peak factor on the weight element. The U.S. carriers

serving London urged the Department of Transportation to take action under the FCPA. In March the United States and United Kingdom traded another set of papers on the peak-charges question. The British paper gave slightly more cost details than earlier versions, but did not answer all issues raised by the United States. The peak-charge problem has not been satisfactorily resolved, but options both of a remedial and retaliatory nature are being considered.

During the summer, attention focused on the development of a user charge article for inclusion in the new air services agreement. The resulting article was far broader than user charge articles in past U.S. air transport agreements. While not as liberal as the U.S. air carriers had recommended, its provisions, nevertheless, provide U.S. airlines greater protection from unreasonable and excessive user charges.

Venezuela

During March 1976 a U.S. delegation discussed air navigation and airport charges with the Government of Venezuela. The Venezuelan airways charges, while 50 percent below initial 1975 levels, are nevertheless the highest in South America. The Government of Venezuela stated that it was recovering only 10 to 12 percent of its aviation system costs. The Government of Venezuela has agreed to an exchange of user charges system data for comparison with those of the United States. The Departments of State and Transportation will attempt to obtain sufficient information to make a determination of the reasonableness of the charges.

TABLES

Table 1.—INDICATORS OF GROWTH IN TRAFFIC AND OPERATIONS OF

Item	1967	1968	1969	1970
A. Traffic in scheduled service of certificated route air carriers:				
1. Overall revenue ton-miles (000)	13,036,284	15,249,312	16,898,186	18,166,793
Percent change from base year	0	17	30	39
2. Cargo revenue ton-miles (freight and express) (000)	2,449,991	2,910,033	3,355,791	3,514,171
Percent change from base year	0	19	37	43
3. U.S. mail ton-miles (000)	976,126	1,257,051	1,334,535	1,470,176
Percent change from base year	0	29	37	51
4. Total revenue passenger-miles (000)	98,746,641	113,958,321	125,414,212	131,719,194
Percent change from base year	0	15	27	33
5. First-class revenue passenger-miles (000)	20,905,909	22,627,247	23,483,018	22,592,948
Percent change from base year	0	8	12	8
6. Coach revenue passenger-miles (000)	77,840,732	91,331,074	101,931,074	109,144,245
Percent change from base year	0	17	31	40
B. Traffic in nonscheduled service of certificated route air carriers:				
7. Overall revenue ton-miles (000)	2,648,005	2,865,022	3,091,192	2,019,836
Percent change from base year	0	8	17	−24
8. Passenger revenue ton-miles (000)	1,363,231	1,661,355	1,798,856	1,668,117
Percent change from base year	0	22	32	22
9. Freight revenue ton-miles (000)	1,086,541	961,829	1,086,802	347,884
Percent change from base year	0	−11	0	−68
10. Revenue passenger-miles (000)	13,031,879	16,079,047	17,427,615	16,427,615
Percent change from base year	0	23	34	26
C. Traffic of supplemental and large irregular carriers:				
11. Overall revenue ton-miles (000)[1]	1,038,235	1,335,103	1,584,740	1,419,859
Percent change from base year	0	29	53	37
12. Cargo revenue ton-miles (000)	442,064	446,453	469,651	391,441
Percent change from base year	0	1	6	−11
13. Revenue passenger-miles (000)	5,997,150	8,886,498	11,150,888	10,284,177
Percent change from base year	0	48	86	71
D. Scope of service offered by certificated route air carriers:				
14. Stations served (at June 30)[2]	685	[3]682	[3]682	638
Percent change from base year	0	0	0	−7
15. Unduplicated route mileage operated (average over fourth quarter)	278,703	289,226	343,600	344,013
Percent change from base year	0	4	23	23

See footnotes at end of table.

THE AIR CARRIER INDUSTRY, CALENDAR YEARS 1967–1976

1971	1972	1973	1974	1975	1976
18,685,307	20,746,377	22,241,875	22,425,070	22,185,545	24,120,868
43	59	71	72	70	85
3,795,283	4,304,874	4,837,226	4,970,919	4,795,308	5,096,178
55	76	97	103	96	108
1,313,376	1,190,198	1,197,974	1,150,832	1,097,297	1,114,243
35	22	23	18	12	14
135,657,702	152,406,702	161,957,307	162,917,241	162,810,057	178,987,543
37	54	64	65	65	81
22,007,064	24,840,378	26,445,436	28,175,970	25,947,562	26,794,902
5	19	26	35	24	28
113,650,634	127,565,903	135,511,871	134,741,268	136,862,502	152,192,640
46	64	74	73	76	96
2,220,658	2,058,659	1,685,782	1,474,969	1,346,765	1,588,119
−16	−22	−36	−44	−49	−40
1,376,117	1,160,987	1,239,588	1,113,317	1,051,367	1,285,478
−1	−15	−9	−18	−23	−6
841,975	893,526	446,051	361,396	294,875	302,536
−22	−18	−59	−67	−73	−72
13,647,567	11,608,985	12,395,070	11,132,566	10,513,699	12,853,942
5	−11	−5	−15	−19	−1
1,558,601	1,461,783	1,582,479	1,453,132	1,238,493	1,204,038
50	41	52	40	19	16
501,237	456,815	403,518	366,887	362,565	384,133
13	3	−9	−17	−18	−13
10,573,646	10,049,683	11,789,623	10,862,449	8,759,279	8,199,053
76	68	97	81	46	37
662	N/A	N/A	N/A	N/A	N/A
−3	N/A	N/A	N/A	N/A	N/A
385,216	N/A	N/A	N/A	N/A	N/A
38	N/A	N/A	N/A	N/A	N/A

Table 1.—INDICATORS OF GROWTH IN TRAFFIC AND OPERATIONS OF

Item	1967	1968	1969	1970
16. Duplicated route mileage certificated (at June 30)	674,666	687,046	685,056	837,565
Percent change from base year	0	2	2	24
17. Aircraft departures in scheduled service	4,946,105	5,348,089	5,379,125	5,101,462
Percent change from base year	0	8	9	3
E. Provision for service by the certificated route air carriers:				
18. Total available seat-miles in scheduled service (000)	174,818,524	216,445,750	250,845,906	264,903,858
Percent change from base year	0	24	43	52
19. Total assets (at December 31) (000)	9,344,104	10,996,112	12,021,464	12,910,758
Percent change from base year	0	18	29	38
20. Total capital invested (average over the year) (000)[4]	5,505,788	6,744,406	7,523,291	8,068,952
Percent change from base year	0	22	37	47
21. Investment in flight equipment (at December 31) (000)[5]	5,195,101	6,475,386	6,918,329	7,462,630
Percent change from base year	0	25	33	44
22. Number of aircraft in service	2,266	2,406	2,610	2,564
Percent change from base year	0	6	15	13
23. Number of certificated route carriers	46	38	39	39
Percent change from base year	0	−17	−15	−15
24. Number of airline employees	274,533	294,192	305,492	299,875
Percent change from base year	0	7	11	9
F. Financial and operational data of certificated route air carriers:				
25. Total operating revenues (including service mail pay and subsidy) (000)	$6,864,726	$7,761,773	$8,792,317	$9,289,618
Percent change from base year	0	13	28	35
26. Net income (after taxes and special items) (000)	$415,388	$209,952	$52,752	$−200,480
27. Federal subsidy accruing (fiscal year data) (000)[6]	$63,355	$50,278	$46,955	$39,180
Percent change from base year	0	−21	−26	−38
28. Federal subsidy accruing as percent of total operating revenues (June)	1.0	0.8	0.5	0.4
Percent change from base year	0	−20	−50	−60
29. All income and other taxes paid (domestic) (000)[7]	$360,878	$307,720	$296,111	$154,625
Percent change from base year	0	−14	−18	−57
30. Airmail revenues of the Post Office Department (fiscal year data) (000)[8]	$439,232	$586,676	$485,487	$485,700
Percent change from base year	0	34	11	11
31. Overall revenue ton-miles in scheduled service per airline employee	47,485	51,835	55,315	60,581
Percent change from base year	0	9	16	28

[1] Includes passenger-mile conversion on 200-pound-per-passenger basis.

[2] Figures do not include Alaska stations.

[3] Less than 0.5 percent.

[4] Average (arithmetic mean) of five quarterly balances of stockholder equity, long-term debt, and advances from associated companies representing investment. From 1964 excludes unamortized discount and expense on debt. 1966 to present excludes equipment-purchase deposits. Operating investment (1970) includes assets, as reported, which are recognized for ratemaking purposes adjusted (1) to exclude portions thereof provided by capital sources not recognized for ratemaking and (2) to conform depreciated flight equipment with regulatory depreciation bases. For more detailed statement of methods, see Press Release CAB 72-189. "Average Investment" data heretofore

1971	1972	1973	1974	1975	1976
860,500	N/A	N/A	N/A	N/A	N/A
28	N/A	N/A	N/A	N/A	N/A
4,998,934	5,046,438	5,134,577	4,725,783	4,704,710	4,835,138
1	2	4	−4	−5	−2
279,823,351	287,418,092	310,597,107	297,004,332	303,006,243	322,820,561
60	64	78	70	73	85
12,997,813	13,634,937	14,463,639	15,200,190	15,064,288	15,451,852
39	46	55	63	61	65
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
7,310,967	7,665,387	8,217,132	8,446,062	8,478,707	8,211,161
41	48	58	63	63	58
2,534	2,519	2,492	2,412	2,434	2,527
12	11	10	6	7	12
37	38	35	34	35	37
−20	−17	−24	−26	−24	−20
291,809	301,593	311,819	307,437	292,515	303,425
6	10	14	12	7	11
$10,045,577	$11,163,271	$12,418,777	$14,702,563	$15,356,325	$17,505,629
46	63	81	114	124	155
$28,006	$214,850	$221,863	$321,641	$−84,418	$563,713
$60,148	$67,234	$64,572	$72,995	$72,826	$72,993
−5	6	2	15	15	15
0.6	0.6	0.5	0.5	0.4	0.4
−40	−40	−50	−50	−60	−60
$251,362	$363,371	$468,206	$308,221	N/A	N/A
−30	1	30	−15	N/A	N/A
$501,000	$558,200	$564,900	$627,900	$630,100	$727,025
14	27	29	43	43	66
64,033	68,789	71,329	72,942	75,844	79,495
35	45	50	54	60	67

presented have been discontinued to facilitate more timely release of this publication. Similar data for most certificated route air carriers are now presented in the Board's "Interim Financial Report" issued quarterly.

[5] After deduction of reserves for depreciation and airworthiness.

[6] Figures are estimates by the Local Service Division of CAB's Bureau of Economics for 1972 and prior years. Data for 1973 through latest year reflect actual payments received.

[7] Not including, of course, passenger excise taxes merely collected and forwarded by the carriers.

[8] Data from U.S. Post Office Department's Revenue and Cost Analysis publication. Includes priority mail.

Table 2.—CARGO RATINGS—SYSTEM TRUNKS AND SYSTEM ALL-CARGO CARRIERS (SCHEDULED SERVICE) SEPTEMBER 1977 AND JUNE 1976

Carrier	Cargo ton-miles[1] [2]			
	September 1977	June 1976	Market share (percent) September 1977	Market share (percent) June 1976
Passenger/cargo:				
Pan American	895,266	862,156	17.6	17.5
United	589,428	552,667	11.6	11.2
American	558,544	509,358	11.0	10.3
Trans World	429,833	471,051	8.5	9.6
Northwest	447,290	456,639	8.8	9.3
Continental	223,559	246,255	4.4	5.0
Eastern	202,201	203,033	4.0	4.1
Delta	202,283	187,332	4.0	3.8
Western	123,671	99,406	2.4	2.0
Braniff	89,669	88,176	1.8	1.8
National	67,599	40,841	1.3	0.8
All-cargo:				
Flying Tiger	789,845	772,478	15.6	15.7
Seaboard	319,285	346,891	6.3	7.0
Airlift	135,678	92,637	2.7	1.9
Total all carriers	5,074,151	4,928,920	100.0	100.0

[1] Air Micronesia reports no traffic data. Data included with Continental.
[2] Includes freight and express revenue ton-miles.

NOTE.—Strike notices: Airlift, Nov. 14, 1975–Mar. 24, 1976; Continental, Oct. 23, 1976–Dec. 12, 1976; National, Sept. 1, 1975–Jan. 21, 1976; TWA, Sept. 18, 1976–Sept. 21, 1976; United, Dec. 6, 1975–Dec. 23, 1975.

Table 3.—AIR FREIGHT STATISTICS, SYSTEM, DOMESTIC, AND INTERNATIONAL TRUNKS, LOCAL SERVICE, AND ALL-CARGO CARRIERS, SCHEDULED SERVICES

12 Months Ended September 30, 1977[1] [2]

[In thousands]

Carriers	Revenue ton-miles			Cargo revenues		
	Freight[3]	Mail[4]	Total	Freight[3]	Mail[4]	Total
System trunks:						
American	558,544	118,226	676,770	$182,797	$31,154	$213,951
Braniff	89,669	38,627	128,296	39,378	14,059	53,437
Continental	223,559	20,803	244,362	45,981	6,954	52,935
Delta	202,283	80,392	282,675	94,352	24,622	118,974
Eastern	202,201	68,618	270,819	73,428	21,231	94,659
National	67,599	17,478	85,077	23,183	4,922	28,105
Northwest	447,290	107,607	554,897	116,655	26,400	143,055
Pan American	895,266	189,278	1,084,544	268,540	57,528	326,068
Trans World	429,833	143,027	572,860	146,727	40,739	187,466
United	589,428	163,124	752,552	193,831	42,530	236,361
Western	123,671	29,072	152,743	34,519	8,334	42,853
Total	3,829,343	976,252	4,805,595	1,219,391	278,473	1,497,864
Domestic trunks:						
American	476,369	111,875	588,244	159,593	29,660	189,253
Braniff	62,750	31,414	94,164	29,705	10,377	40,082
Continental	221,157	19,606	240,763	44,594	6,195	50,789
Delta	195,373	79,800	275,173	91,722	24,455	116,177
Eastern	115,660	59,687	175,347	53,830	18,629	72,459
National	59,696	17,203	76,899	20,690	4,813	25,503
Northwest	273,010	59,636	332,646	75,100	15,874	90,974
Pan American	77,759	17,657	95,416	19,304	6,121	25,425
Trans World	270,836	93,873	364,709	98,376	24,788	123,164
United	589,428	163,124	752,552	193,831	42,530	236,361
Western	118,695	28,732	147,427	32,878	8,237	41,115
Total	2,460,733	682,607	3,143,340	819,623	191,679	1,011,302

See footnotes at end of table.

Table 3.—AIR FREIGHT STATISTICS. SYSTEM, DOMESTIC, AND INTERNATIONAL TRUNKS, LOCAL SERVICE, AND ALL-CARGO CARRIERS, SCHEDULED SERVICES—Continued

12 Months Ended September 30, 1977[1 2]—Continued

[In thousands]

International trunks:						
American	82,175	6,351	88,526	23,204	1,494	24,698
Braniff	26,919	7,213	34,132	9,673	3,682	13,355
Continental	2,402	1,197	3,599	1,387	759	2,146
Delta	6,910	592	7,502	2,630	167	2,797
Eastern	86,541	8,931	95,472	19,598	2,602	22,200
National	7,903	275	8,178	2,493	109	2,602
Northwest	174,280	47,971	222,251	41,555	10,526	52,081
Pan American	817,507	171,621	989,128	249,236	51,407	300,643
Trans World	158,997	49,154	208,151	48,351	15,951	64,302
Western	4,976	340	5,316	1,641	97	1,738
Total	1,368,610	293,645	1,662,255	399,768	86,794	486,562
All-cargo system	1,244,808	133,150	1,377,958	305,371	28,433	333,804
Airlift	135,678	91	135,769	32,490	57	32,547
Flying Tiger	789,845	88,629	878,474	201,302	18,709	220,011
Seaboard	319,285	44,430	363,715	71,579	9,667	81,246
All-cargo domestic	454,364	12,348	466,712	114,514	2,484	116,998
Airlift	102,103	60	102,163	24,444	43	24,487
Flying Tiger	352,261	12,288	364,549	90,070	2,441	92,511
Seaboard						
All-cargo international	790,444	120,802	911,246	190,857	25,949	216,806
Airlift	33,575	31	33,606	8,046	14	8,060
Flying Tiger	437,584	76,341	513,925	111,232	16,268	127,500
Seaboard	319,285	44,430	363,715	71,579	9,667	81,246
Local service:						
Allegheny	20,146	15,721	35,867	23,796	7,003	30,799
Frontier	12,952	6,037	18,989	10,416	2,544	12,960
Hughes	6,922	2,855	9,777	6,538	1,306	7,844
North Central	9,618	3,872	13,490	13,001	2,286	15,287
Ozark	7,603	3,810	11,413	8,736	2,120	10,856
Piedmont	6,583	2,904	9,487	7,660	1,627	9,287
Southern	6,754	2,486	9,240	4,789	1,277	6,066
Texas International	5,861	2,097	7,958	5,641	949	6,590
Total	76,439	39,783	116,222	80,577	19,112	99,689

Scheduled Freight Plus Mail Revenue as a Percent of Total Scheduled Transport Revenue, System, Domestic, and International Operations, 12 Months Ended September 30, 1977

Carrier	Total scheduled transport revenue (000)	Total freight plus mail revenues[3 4] (000)	Freight plus mail revenues as a percent of total transport revenues
System trunks:			
American	$2,188,213	$213,951	9.78
Braniff	725,467	53,437	7.37
Continental	564,870	52,935	9.37
Delta	1,775,204	118,974	6.70
Eastern	1,882,232	94,659	5.03
National	515,288	28,105	5.45
Northwest	1,006,256	143,055	14.22
Pan American	1,817,162	326,068	17.94
Trans World	2,108,787	187,466	8.89
United	2,778,769	236,361	8.51
Western	656,967	42,853	6.52
Total	16,019,215	1,497,864	9.35

See footnotes at end of table.

Table 3.—AIR FREIGHT TRAFFIC STATISTICS, SYSTEM, DOMESTIC, AND INTERNATIONAL TRUNKS, LOCAL SERVICE, AND ALL-CARGO CARRIERS, SCHEDULED SERVICES—Continued[1,2]

Scheduled Freight Plus Mail Revenue as a Percent of Total Scheduled Transport Revenue, System, Domestic, and International Operations, 12 Months Ended September 30, 1977—Continued

Domestic trunks:			
American	1,931,066	189,253	9.80
Braniff	568,461	40,082	7.05
Continental	551,937	50,789	9.20
Delta	1,736,656	116,177	6.69
Eastern	1,578,354	72,459	4.59
National	474,251	25,503	5.38
Northwest	739,723	90,974	12.30
Pan American	134,012	25,425	18.97
Trans World	1,434,796	123,164	8.58
United	2,778,769	236,361	8.51
Western	621,672	41,115	6.61
Total	12,549,697	1,011,302	8.06
International trunks:			
American	257,147	24,698	9.60
Braniff	157,006	13,355	8.51
Continental	12,933	2,146	16.59
Delta	38,548	2,797	7.26
Eastern	303,878	22,200	7.31
National	41,037	2,602	6.34
Northwest	266,533	52,081	19.54
Pan American	1,683,150	300,643	17.86
Trans World	673,991	64,302	9.54
Western	35,295	1,738	4.92
Total	3,469,518	486,562	14.02
All-cargo system	422,901	333,804	78.93
Airlift	55,240	32,547	58.92
Flying Tiger	270,157	220,011	81.44
Seaboard	97,504	81,246	83.33
All-cargo domestic	121,987	116,998	95.91
Airlift	28,954	24,487	84.57
Flying Tiger	93,033	92,511	99.44
Seaboard	.....	.....	.....
All-cargo international	300,914	216,806	72.05
Airlift	26,286	8,060	30.66
Flying Tiger	177,124	127,500	71.98
Seaboard	97,504	81,246	83.33
Local service:			
Allegheny	460,407	30,799	6.69
Frontier	208,786	12,960	6.21
Hughes	225,655	7,844	3.48
North Central	200,605	15,287	7.62
Ozark	169,431	10,856	6.41
Piedmont	159,899	9,287	5.81
Southern	141,110	6,066	4.30
Texas International	127,906	6,590	5.15
Total	1,693,799	99,689	5.89

[1] See tables 2 and 4 for additional cargo information.
[2] See table 2 for strike notices.
[3] Includes express.
[4] Priority, nonpriority, and foreign mail.

Table 4.—AIR CARGO REVENUES, AS A PERCENT OF TOTAL OPERATING REVENUES FOR THE YEAR ENDED SEPTEMBER 30, 1977

	Total operating revenue (000)	Total cargo[1] revenue (000)	Percent cargo revenue of total revenue
Domestic trunk	$12,997,991	$819,623	6.3
American	2,028,389	159,593	7.9
Braniff	586,958	29,705	5.1
Continental	579,716	44,594	7.7
Delta	1,757,064	91,722	5.2
Eastern	1,656,436	53,830	3.2
National	479,607	20,690	4.3
Northwest	750,271	75,100	10.0
Pan American	137,397	19,304	14.1
TWA	1,505,149	98,376	6.5
United	2,881,314	193,831	6.7
Western	635,690	32,878	5.2
International trunk	3,630,629	399,768	11.0
American	259,874	23,204	8.9
Braniff	162,060	9,673	6.0
Continental	12,952	1,387	10.7
Delta	38,742	2,630	6.8
Eastern	305,564	19,598	6.4
National	41,787	2,493	6.0
Northwest	269,410	41,555	15.4
Pan American	1,768,909	249,236	14.1
TWA	735,144	48,351	6.6
Western	36,187	1,641	4.5
All-cargo (system)	433,492	305,371	70.4
Airlift	56,699	32,490	57.3
Flying Tiger	270,788	201,302	74.3
Seaboard	106,005	71,579	67.5
Total	17,062,112	1,524,762	8.9

[1] Scheduled freight and express.

NOTE.—Strike notices are located at end of table 2.

Source: "Air Carrier Financial Statistics."

Table 5.—FINANCIAL DATA FOR DOMESTIC TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976

(SCHEDULED SERVICES)

Carriers	Total operating revenues		Total operating expenses		Operating profit[1]		Final net income[2]		Corporate rates of return, investment tax credits excluded[3,4]	
	September 1977 (000)	June 1976 (000)	September 1977 (000)	June 1976 (000)	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976
United	$2,881,314	$2,351,954	$2,801,317	$2,379,310	79,997	−27,356	80,224	−27,273	8.22	0.76
American	2,028,389	1,715,953	1,962,173	1,707,689	66,216	8,264	77,637	10,194	9.48	3.61
Delta	1,757,064	1,508,846	1,612,320	1,395,234	144,744	113,612	99,469	70,819	13.81	11.28
Eastern	1,656,436	1,448,113	1,619,602	1,411,847	36,834	36,266	−9,063	−7,874	3.13	3.65
Trans World	1,505,149	1,320,504	1,541,908	1,364,861	−36,759	−44,357	−50,305	−42,690	1.84	1.63
Northwest	750,271	644,366	665,248	587,831	85,023	56,535	66,053	35,331	12.46	7.90
Continental	579,716	545,137	543,263	513,828	36,453	31,309	18,947	−9,336	8.84	4.06
Western	635,690	524,464	608,744	508,053	26,946	16,412	15,470	9,740	10.48	7.37
Braniff	586,958	489,006	530,680	453,274	56,278	35,732	30,915	18,163	14.32	10.99
National	479,607	320,181	479,334	312,714	273	7,467	−401	4,733	2.33	4.90
Pan American[4]	137,397	126,933	143,408	135,494	−6,011	−8,561	3,557	−1,963	9.40	3.78
Total	12,997,991	10,995,458	12,507,997	10,770,136	489,994	225,322	332,503	59,844	8.33	4.70

[1] Before income taxes.

[2] After income taxes and special items.

[3] Final net income after taxes and special items plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity).

[4] Pan Am reported a net gain of $83 million in the June 1976 quarter reflecting the difference in face value of certain issues of debentures for new convertible debentures. The rate of return information has been adjusted to exclude the impact of this event and smaller items recorded in a previous quarter. Had these items been included, the rate of return for domestic trunks would have been 4.7 percent.

NOTES.—Totals may or may not add due to rounding.

Strike notices are located at end of table 2.

Source: "Air Carrier Financial Statistics" and CAB forms 41.

Table 6.—TRAFFIC STATISTICS FOR DOMESTIC TRUNKS FOR THE YEARS ENDING SEPTEMBER 30, 1977, AND JUNE 30, 1976 (SCHEDULED SERVICE)

Carrier	Revenue passenger-miles			Passenger enplanements			Load factors (percent)	
	September 1977 (000)	June 1976 (000)	Market share (percent) September 1977	September 1977 (000)	June 1976 (000)	Market share (percent) September 1977	September 1977	June 1976
United	31,227,081	27,419,912	22.7	33,985	30,250	20.2	60.0	58.2
American	20,848,965	19,418,265	15.2	21,550	19,929	12.8	57.4	58.5
Delta	18,051,451	17,208,468	13.1	29,190	27,638	17.4	56.1	58.1
Eastern	16,237,589	15,584,624	11.8	27,034	25,552	16.1	54.6	58.8
Trans World	15,842,516	15,314,874	11.5	15,356	14,654	9.1	55.9	56.2
Northwest	8,057,707	7,468,122	5.9	9,114	8,400	5.4	46.8	46.1
Western	7,711,509	6,947,324	5.6	8,875	8,152	5.3	56.6	60.5
Continental	6,308,614	6,645,978	4.6	7,172	7,401	4.3	55.4	56.5
Braniff	5,830,926	5,314,098	4.2	8,765	8,042	5.2	51.4	51.7
National	5,436,177	3,268,194	4.0	6,043	3,722	3.6	45.6	48.9
Pan American	1,935,327	1,855,471	1.4	822	764	0.5	54.9	56.1
Total	137,487,862	126,445,330	100.0	167,906	154,504	100.0	55.5	56.6

Source: "Air Carrier Traffic Statistics."

Table 7.—FINANCIAL STATISTICS FOR SYSTEM ALL-CARGO CARRIERS FOR THE YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976

Carrier	Operating revenues (000)		Operating expenses (000)		Operating profit (000)		Final net income (000)[1]	
	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976
Flying Tiger	$270,788	$234,486	255,211	224,173	15,577	10,313	25,513	15,323
Seaboard	106,005	109,427	105,525	116,358	480	−6,931	8,123	−5,578
Airlift	56,699	33,950	52,818	37,876	3,882	−3,927	6,658	−4,000
Total	433,492	377,864	413,554	378,408	19,939	−544	38,054	5,745

[1] After income taxes and special items.

Source: "Air Carrier Financial Statistics."

Table 8.—TRAFFIC STATISTICS FOR LOCAL SERVICE CARRIERS FOR THE YEAR ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976

(SCHEDULED SERVICE)[1]

Carrier	Revenue passenger-miles			Passengers enplaned			Load factors (percent)	
	September 1977 (000)	June 1976 (000)	September market share (percent)	September 1977	June 1976	September market share (percent)	September 1977	June 1976
Allegheny	3,579,311	3,415,173	27.4	11,437	10,700	28.1	54.9	54.5
Frontier	1,824,353	1,566,590	14.0	4,608	3,972	11.3	57.3	57.5
Hughes	1,917,441	1,571,340	14.7	4,886	4,148	12.0	53.1	54.1
Piedmont	1,228,563	1,114,334	9.4	4,067	3,751	10.0	51.5	51.5
North Central	1,232,083	1,081,921	9.4	5,298	4,766	13.0	47.5	48.6
Ozark	1,185,276	1,032,163	9.1	3,967	3,577	9.8	50.9	50.9
Southern	1,014,912	931,208	7.8	3,357	3,154	8.3	50.3	52.0
Texas International[2]	1,090,803	874,337	8.3	3,039	2,418	7.5	56.9	51.4
Total	13,072,742	11,587,066	100.0	40,659	36,486	100.0	53.2	53.1

[1] As the result of Board order ER-969 Air New England is no longer classified as a local service carrier.

[2] Carrier on strike beginning Dec. 5, 1974, through Apr. 13, 1975.

NOTE.—Totals may or may not add due to rounding.

Source: "Air Carrier Traffic Statistics."

Table 9.—FINANCIAL DATA FOR THE INTERNATIONAL TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976

Carriers	Total operating revenues (000)		Total operating expenses (000)		Operating profit[1] (000)		Final net income[2] (000)		Corporate rates of return, investment tax credits excluded[3] (000)	
	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976
Air Micronesia							[4]	[4]	[5]	[5]
American	$259,874	$227,954	$245,388	$212,745	$14,486	$15,209	$2,589	$11,320	12.83	11.40
Braniff	162,060	141,217	154,210	135,615	7,850	5,602	4,956	981	6.84	2.96
Continental	12,952	11,768	13,115	12,254	−163	−486	−393	−474	−1.69	[5]
Delta	38,742	34,043	34,796	30,047	3,946	3,997	2,106	2,045	13.61	14.00
Eastern	305,564	296,266	304,323	296,662	1,242	−396	−8,116	−7,809	0.26	2.04
National	41,787	18,474	31,609	16,875	10,178	1,599	4,924	297	23.83	7.07
Northwest	269,410	240,679	253,452	233,203	15,958	7,476	14,999	5,270	8.04	4.54
Pan American total	1,768,909	1,564,021	1,690,170	1,593,320	78,739	−29,299	59,223	53,188	11.06	2.25
Atlantic	924,833	804,590	898,740	820,775	26,093	−16,185	16,903	26,776	8.26	2.23
Latin	337,053	318,016	330,471	328,245	6,582	−10,229	2,922	8,953	6.75	1.04
Pacific	507,023	441,415	460,959	444,300	46,064	−2,885	39,398	17,459	19.60	3.18
Trans World	735,144	597,860	664,222	577,384	700,922	20,476	101,602	27,534	23.97	8.42
Western	36,187	39,489	38,100	38,139	−1,913	1,350	−976	630	−2.01	7.14
Total	3,630,629	3,171,771	3,429,385	3,146,244	201,245	25,526	192,553	92,978	12.08	4.33

[1] Before income taxes.

[2] After special items and income taxes.

[3] Final net income plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity).

[4] Less than $500.

[5] Not computed due to negative or negligible comparative data.

NOTES.—Totals may or may not add due to rounding.
Strike notices are located at end of table 2.

Source: "Air Carrier Financial Statistics."

Table 10.—TRAFFIC STATISTICS FOR INTERNATIONAL TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976 (SCHEDULED SERVICES)

Carrier	Revenue passenger-miles			Passengers enplaned			Load factors (percent)	
	September 1977 (000)	June 1976 (000)	September market share (percent)	September 1977	June 1976	September market share (percent)	September 1977	June 1976
Pan American total	14,992,346	13,726,583	42.4	6,651	6,477	37.9	53.1	49.7
Atlantic	7,237,557	6,528,424	20.5	3,893	3,713	22.2	55.8	54.8
Latin	2,524,886	2,662,994	6.6	1,463	1,527	8.3	54.4	51.7
Pacific	5,229,903	4,535,165	14.8	1,295	1,237	7.4	49.1	43.0
Trans World	7,498,245	6,781,566	21.2	2,140	1,959	12.2	58.7	56.5
Eastern	3,787,795	3,815,444	10.7	3,659	3,685	20.8	56.6	55.8
Northwest	2,804,941	2,638,951	7.9	999	950	5.7	50.7	49.4
American	3,144,532	2,870,774	8.9	2,198	1,949	12.5	62.7	61.8
Braniff	1,468,226	1,342,005	4.1	875	792	5.0	50.6	46.7
Western	530,478	588,260	1.5	339	376	1.9	57.3	59.2
Delta	459,981	412,779	1.3	392	358	2.2	58.3	53.5
National	600,508	273,436	1.7	135	62	0.8	61.1	56.0
Continental	95,451	87,290	0.3	176	160	1.0	56.8	54.8
Total	35,382,503	32,537,088	100.0	17,564	16,768	100.0	55.3	52.7

NOTE.—Strike notices are located at end of table 2.

Source: "Air Carrier Traffic Statistics."

Table 11.—FINANCIAL DATA FOR LOCAL SERVICE CARRIERS FOR YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976[1]

Carrier	Total operating revenues		Total operating expenses		Operating profit[2]		Net income[3]		Corporate rates of return (investment tax credits excluded)[4]	
	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976	September 1977	June 1976
Allegheny	$471,269	$406,856	$458,313	$392,524	$12,956	$14,332	$9,100	$2,039	6.25	6.73
Hughes	246,029	194,622	234,070	188,451	11,959	6,171	7,505	5,167	7.79	12.37
Frontier	227,686	182,254	203,048	167,567	24,638	14,687	13,203	7,512	16.54	6.16
North Central	216,466	178,598	200,896	167,942	15,570	10,656	12,135	7,065	13.05	11.27
Ozark	184,885	148,940	172,755	140,447	12,130	8,493	6,334	3,715	12.85	10.11
Piedmont	174,068	144,177	162,394	137,649	11,674	6,528	8,099	2,018	13.56	7.72
Southern	152,100	131,234	148,920	125,090	3,180	6,144	4,761	4,572	14.96	16.36
Texas International	139,238	108,676	130,544	108,233	8,694	443	6,616	−962	22.09	3.64
Total	1,811,741	1,495,357	1,710,940	1,427,904	100,801	67,454	67,753	31,125	11.26	8.60

[1] As the result of Board order ER-969, Air New England is no longer classified as a local service carrier.

[2] Before income taxes.

[3] After taxes and special items.

[4] Final net income plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity).

NOTES.—Strike notices are located at end of table 2.

Source: "Air Carrier Financial Statistics."

Table 12.—SUPPLEMENTAL AIR CARRIERS, COMPARISON OF OPERATING REVENUE, OPERATING EXPENSES, OPERATING PROFIT, ASSETS, AND NET WORTH FOR YEARS ENDED SEPTEMBER 30, 1977, AND JUNE 30, 1976

[In thousands]

Carrier	Total operating revenues		Total operating expenses		Operating profit or loss		Total assets		Net worth[1]	
	September	June	September	June	September	June	September	June	September	June
Rich[2]	$596		$502		$95		$368		$81	
Capitol	74,857	$44,570	71,966	$46,095	2,892	−$1,526	32,021	$28,079	13,110	$10,971
Evergreen	25,480	3,462	25,254	3,712	227	−247	8,036	2,503	2,037	237
McCulloch	4,988	8,784	6,497	9,602	−1,510	−816	950	2,138	−2,248	313
Modern		1,359	−6	2,723	6	−1,364	183	347		−11,884
Overseas National	81,828	96,652	84,428	105,275	−2,601	−8,622	119	67	22,683	30,216
Saturn[3]	10,621	61,413	8,544	50,227	2,077	11,185		61	16,860	36,262
Trans International	199,545	121,449	180,076	109,218	199,469	12,231	157,049	146,495	64,632	39,460
World	94,242	81,045	94,445	86,283	−203	−5,237	161,111	141,716	107,442	101,480
Total	492,157	418,734	471,706	413,135	20,452	5,604	359,837	321,406	224,597	207,055

[1] Stockholder equity.

[2] Rich International Airways inaugurated service Apr. 14, 1977.

[3] Saturn's certificate of public convenience and necessity was revoked Nov. 30, 1976.

NOTES.—Minus sign denotes an operating loss or negative net worth.
Totals may or may not add due to rounding.

Source: Carrier reports on CAB forms 41.

Table 13.—PASSENGER-FARE, FREIGHT-RATE, AND U.S. MAIL YIELDS FOR SCHEDULED SERVICE, YEAR ENDED SEPTEMBER 30, 1977[1]

[Average yield per passenger-mile by carrier group (cents)]

Year	Domestic trunk operations	Local service[2 3]	Intra-Alaska carriers	Intra-Hawaii carriers	International and territorial[4]
1972	6.16	8.87	11.82	11.26	5.02
1973	6.25	9.02	8.33	11.15	5.09
1974	6.73	9.58	9.55	11.80	5.71
1975	7.44	10.52	10.30	12.67	6.96
1976[1]	7.44	11.59	10.66	13.58	7.09
1977	8.16	11.81	11.05	14.30	7.56

[Passenger-fare yields by type of fare (in cents per passenger-mile)]

Year	Domestic trunks		International trunks	
	First-class	Coach	First-class	Coach
1972	8.30	5.87	8.31	4.71
1973	8.47	5.95	8.71	4.75
1974	9.00	6.43	9.71	5.36
1975	9.85	7.15	11.65	6.56
1976[1]	10.49	7.16	12.14	6.69
1977	11.96	7.83	13.38	7.12

[Average freight yield per ton-mile for all commodities by carrier group (cents)][5]

Year	Domestic trunk operations	Domestic all-cargo carriers	Local service carriers[2 3]	Intra-Alaska carriers	Intra-Hawaii carriers	International trunk operations[6]
1972	22.67	16.39	55.28	57.63	62.54	19.40
1973	23.14	16.31	57.90	43.12	58.62	19.73
1974	24.52	17.57	62.97	50.23	61.01	21.33
1975	277.30	19.32	80.04	56.34	81.46	25.18
1976[1]	28.78	21.95	95.70	66.57	85.08	25.63
1977	33.31	25.20	108.27	73.30	96.68	28.21
			Index (1972 = 100)			
1972	100.0	100.0	100.0	100.0	100.0	100.0
1973	102.1	99.5	104.7	74.8	93.7	101.7
1974	108.2	107.2	113.9	87.2	97.5	109.9
1975	120.4	117.9	144.8	97.8	130.3	129.8
1976[1]	126.9	133.9	173.1	115.5	136.0	132.1
1977	146.9	153.8	195.9	127.2	154.6	145.4

[Average U.S. mail revenue yield per U.S. mail ton-mile by carrier group (cents)]

1972	21.95	19.33	38.38	109.59	29.31	20.27
1973	21.98	17.08	34.67	86.16	46.42	19.41
1974	28.14	17.85	50.08	92.31	41.58	20.78
1975	25.90	16.97	49.20	94.73	40.93	27.65
1976[1]	25.49	20.89	48.52	100.62	45.41	26.08
1977	21.69	13.17	36.69	82.30	43.78	20.38
			Index (1972 = 100)			
1972	100.0	100.0	100.0	100.0	100.0	100.0
1973	100.1	88.4	90.3	78.6	158.4	95.8
1974	128.2	92.3	130.5	84.2	141.9	102.5
1975	117.9	87.8	128.2	86.4	139.6	136.4
1976[1]	116.1	108.1	126.4	91.8	154.9	128.7
1977	98.8	68.1	95.6	75.1	149.4	100.5

[1] Data for 1976 and subsequent years are 12 months ending June.
[2] Includes data for helicopters and "other carriers."
[3] Computation not meaningful because of diverse carriers included.
[4] Excludes all-cargo carriers.
[5] Freight and express.
[6] Includes international all-cargo carriers.

Source: "Air Carrier Financial Statistics" and "Air Carrier Traffic Statistics."

Table 14.—TRAFFIC TRENDS BY CARRIER GROUP, YEAR ENDED SEPTEMBER 30, 1977[1]

Item and year	Certificated route air carriers (scheduled service)						
	Domestic trunks	Local service, helicopter and other carriers[1]	Intra-Alaskan carriers	Intra-Hawaiian carriers	All-cargo carriers (system)	International trunks	Supplementals
Revenue passenger-miles (000):							
1972	103,117,970	8,575,543	127,344	449,526		31,969,080	10,006,396
1973	112,020,802	9,464,977	523,855	563,061		35,358,125	10,732,352
1974	118,186,582	10,600,752	548,489	635,473		35,011,689	11,923,491
1975	115,917,448	10,390,702	750,730	643,986		31,319,714	9,411,446
1976	126,445,330	11,235,121	915,683	684,186		32,537,088	8,319,547
1977[1]	137,487,862	13,169,569	894,264	746,356		35,382,503	10,022,205
Revenue passenger-miles—coach (000):							
1972	90,678,734	1,376,228				29,236,730	
1973	98,714,028	452,342	359,889			32,390,338	
1974	104,492,491	55,341	370,480			32,170,997	
1975	103,377,605		489,516			28,884,583	
1976	114,682,963		599,905			30,183,324	
1977[1]	126,790,437		574,925			32,892,725	
Coach revenue passenger-miles as percent of total revenue passenger-miles:							
1972	87.9	16.0				91.5	
1973	88.1	4.8	68.7			91.6	
1974	88.4	0.5	67.5			91.9	
1975	89.2		65.2			92.2	
1976	90.7		65.5			92.8	
1977[1]	92.2		64.3			93.0	
Revenue ton-miles (000):							
1972	13,054,819	961,281	26,566	50,225	1,011,482	4,718,265	1,553,313
1973	14,093,545	1,057,237	80,966	62,202	1,220,681	5,080,023	1,477,047
1974	14,813,264	1,175,833	86,042	70,205	1,401,942	5,170,766	1,600,020
1975	14,416,920	1,138,198	115,493	71,305	1,321,004	4,685,211	1,304,336
1976	15,612,902	1,223,430	130,259	75,964	1,329,150	4,939,134	1,220,240
1977[1]	16,892,099	1,433,454	124,151	82,191	1,377,959	5,200,507	1,321,714

Table 14.—TRAFFIC TRENDS BY CARRIER GROUP, YEAR ENDED SEPTEMBER 30, 1977[1]—Continued

Item and year	Certificated route air carriers (scheduled service)						
	Domestic trunks	Local service, helicopter and other carriers[1]	Intra-Alaskan carriers	Intra-Hawaiian carriers	All-cargo carriers (system)	International trunks	Supplementals
Cargo ton-miles (000):[2]							
1972	2,094,688	72,514	7,461	4,228	862,713	1,111,254	547,516
1973	2,268,459	79,471	17,799	4,780	1,046,276	1,161,733	403,812
1974	2,383,716	81,466	20,028	5,481	1,225,103	1,332,140	406,671
1975	2,206,225	66,908	27,811	5,723	1,174,098	1,223,878	363,192
1976	2,339,356	67,427	26,169	6,226	1,212,006	1,377,558	388,286
1977[1]	2,460,733	76,702	21,274	6,269	1,244,808	1,368,610	319,493
U.S. mail ton-miles (000):[3]							
1972	647,947	31,207	6,369	1,044	148,703	399,344	.....
1973	622,602	31,287	10,783	1,116	174,401	372,368	.....
1974	610,087	34,267	11,162	1,176	176,838	327,381	.....
1975	618,029	32,185	12,607	1,185	146,905	318,760	.....
1976	627,781	32,486	12,519	1,339	117,141	296,911	.....
1977[1]	681,297	59,812	13,450	1,286	113,150	282,807	.....
U.S. mail ton-miles as percent of total revenue ton-miles:							
1972	5.0	3.2	24.0	2.1	14.7	8.5	.....
1973	4.4	3.0	13.3	1.8	14.3	7.3	.....
1974	4.1	2.9	13.0	1.7	12.6	6.3	.....
1975	4.3	2.8	10.9	1.7	11.1	6.8	.....
1976	4.0	3.0	9.6	1.8	8.8	6.0	.....
1977[1]	4.0	4.2	10.8	1.6	8.2	5.4	.....

[1] Data for 1976 and subsequent years are 12 months ending June.

[2] "Other carriers" group includes Alaska Airlines for 1972. 1973 through current period reflects carrier in "Intra-Alaska carriers" grouping.

[3] Comprises freight and express.

[4] Priority and nonpriority.

Source: "Air Carrier Traffic Statistics Report."

Table 15.—AIR CARRIER INVESTMENT AT SEPTEMBER 30, 1970–77

Table 15.—AIR CARRIER INVESTMENT AT SEPTEMBER 30, 1970–77

	Asset distribution				Capital distribution					
	Owned operating ground property and equipment	Owned operating flight equipment	Less reserves for depreciation[1]	Total	Stockholder equity (net)		Long-term debt		Total	
	Millions	Millions	Millions	Millions	Millions	Percent of total	Millions	Percent of total	Millions	Percent of total
Certificated route air carriers:										
1970	1,459.0	10,719.5	4,051.0	8,127.5	3,279.7	35	5,750.3	65	9,030.0	100
1971	1,687.6	11,326.1	4,623.3	8,390.4	3,459.8	33	5,685.1	67	9,144.9	100
1972	1,908.4	11,748.8	4,984.1	8,673.1	3,941.8	39	5,302.7	61	9,244.5	100
1973	2,110.3	12,638.9	5,578.8	9,170.4	4,200.9	40	5,722.7	60	9,923.6	100
1974	2,293.7	13,368.5	6,042.8	9,619.4	4,541.6	42	5,583.4	58	10,125.0	100
1975	2,452.7	13,965.2	6,729.6	9,688.3	4,427.6	42	5,665.4	58	10,093.0	100
1976	2,741.7	14,315.5	7,418.2	9,639.0	4,758.8	45	4,927.9	55	9,686.0	100
1977	2,942.5	14,736.1	8,004.4	9,674.2	5,536.6		4,572.3		10,108.9	100
	Index (1970 = 100)									
Certificated route air carriers:										
1970	100.0	100.0	100.0	100.0	100.0		100.0		100.0	
1971	115.7	105.7	114.1	103.2	105.5		989		101.3	
1972	130.8	109.6	123.0	106.7	120.2		92.2		102.4	
19u3	144.6	117.9	137.7	112.8	128.1		99.5		109.9	
1974	157.2	124.7	149.2	118.4	138.5		97.1		112.1	
1975	168.1	130.3	166.1	119.2	135.0		98.5		111.8	
1976	187.9	133.5	183.1	118.6	145.1		85.7		107.3	
1977	201.7	137.5	197.6	119.0	168.8		79.5		111.9	

[1] Includes airworthiness reserves.

NOTE.—Components may not add to totals because of rounding.

Sources: Carrier reports on CAB form 41.

Table 16.—NUMBER OF AIRCRAFT AVAILABLE FOR SERVICE AT DECEMBER 31, 1976[1]

Type of aircraft	Certificated route air carriers	Supplemental air carriers	Totals
Fixed-wing:			
Turbojet aircraft:			
4-engine:			
Boeing:			
B-707-100/200/300	10		10
Convair—CV-880	24		24
Douglas—DC-8-10/20/30	31	16	47
Total 4-engine	65	16	81
Total turbojet	65	16	81
Turbofan aircraft:[2]			
4-engine:			
Boeing:			
B-707-100B	86		86
B-707-300B	92		92
B-720B	17	1	18
B-747/747SP	97		97
Douglas:			
DC-8-50	53	1	54
DC-8-61/62/63F	64	26	90
Total 4-engine	409	28	437
3-engine:			
Boeing:			
B-727-100	305	4	309
B-727-200	438		438
Douglas—DC-10/10/20/30/40	122	4	126
Lockheed L-1011	81		81
Total 3-engine	946	8	954
2-engine:			
BAC-111	31		31
Boeing—B-737	139		139
Douglas—DC-9-10	66		66
DC-9-30	249		249
DC-9-50	23		23
Total 2-engine	508		508
Total turbofan	1,863	36	1,899
Other turbojet/turbofan	3	1	4
Total turbojet and turbofan	1,931	53	1,984
Turboprop aircraft:			
4-engine:			
Lockheed—L-188	21	3	24
Total	21	3	24
2-engine:			
Beech-99	2		2
Convair:			
CV-580	94		94
CV-600	21		21
De Havilland—DCH-6PT6[3]	20		20
Fairchild:			
F-27	13		13
FH-227	33		33
Nihon—YS-11A	23		23
NORD-262	9		9
Swearing Metroliner	1		1
Total 2-engine	216		216
Total turboprop	237	3	240
Total turbo-powered	2,168	55	2,224

Table 16.—NUMBER OF AIRCRAFT AVAILABLE FOR SERVICE AT DECEMBER 31, 1976[1]—Continued

Type of aircraft	Certificated route air carriers	Supplemental air carriers	Totals
Piston aircraft over 12,500 pounds:			
4-engine:			
Douglas—DC-6A/B	4		4
Total 4-engine	4		4
2-engine:			
Convair—CV-340/440	9	1	10
Douglas—DC-3	4		4
Grumman—G-73	1		1
G-44	3		3
G-21A	8		8
Martin—M-404	7		7
Other types	12		12
Total 2-engine	44	1	45
Total piston less than 12,500 pounds	12	2	14
Total all types piston	60	3	63
Fixed-wing convertible aircraft:			
Turbofan:			
4-engine:			
Boeing—B-707-300C	59		59
3-engine:			
Boeing—B-727QC	76		76
2-engine:			
Douglas—DC-9-15F	19		19
Total convertible aircraft	154		154
Helicopter:			
2-engine:			
Sikorsky	4		4
Total 2-engine	4		4
Cargo aircraft:			
Turbofan:			
4-engine:			
Douglas:			
DC-8-50F	18		18
DC-8-63F	20		20
Boeing 747C/F	9	1	10
Total turbofan	47	1	48
Turboprop:			
4-engine:			
Lockheed:			
L-382 (100)		12	12
L-188	5	9	14
2-engine:			
Short Bros. & Harland—SC-7	2		2
Total turboprop	7	21	28
Piston:			
2-engine:			
Curtiss—C-46	2	4	6
Total piston	2	4	6
Total cargo aircraft	56	26	82
Total—all aircraft	2,442	84	2,527

[1] Owned aircraft only. Data for certificated route carriers aircraft leased to others plus aircraft leased from others, with regard to aircraft withdrawn from service for economic, mechanical, or technical reasons, are unavailable.

[2] Figure does not include aircraft under "Fixed-wing convertible aircraft" or "Cargo aircraft." Those aircraft are listed separately in table.

[3] 12,500 pounds or less.

Source: Carrier reports on schedule B-43, CAB form 41.

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]

Item and year	All route carriers	Scheduled service of the route carriers: Domestic trunk operations	Local service carriers	International trunks	Other route carriers[2 3]
Yield per revenue passenger-mile (cents):					
1938	5.50	5.12		8.34	(4)
1948	6.30	5.73	5.31	8.01	(4)
1958	5.80	5.58	6.89	6.46	(4)
1968[1]	5.46	5.45	7.56	4.95	(4)
Fiscal year September 1977	8.35	8.16	11.81	7.56	(4)
Overall revenue ton-miles (000):					
1938	N/A	55,296		N/A	N/A
1948	985,938	703,055	8,936	265,821	8,126
1958	3,799,325	2,738,947	84,393	835,349	140,636
1968[1]	15,249,312	9,895,381	582,604	4,294,499	476,828
Fiscal year September 1977	25,110,361	16,892,099	1,423,493	5,200,507	1,594,262
Total available seat-miles (000):					
1938	1,067,793	944,729		116,335	6,729
1948	13,719,959	9,980,163	323,942	3,302,916	112,938
1958	53,115,172	40,695,035	1,793,463	10,391,664	235,010
1968[1]	216,445,751[1]	153,864,640	12,153,586	49,575,001	852,524
Fiscal year September 1977	338,985,341	247,596,415	24,563,387	64,019,645	2,805,894
Total revenue passenger-miles (000):					
1938	533,052	475,600		53,208	4,244
1948	7,870,271	5,840,211	87,928	1,873,627	68,505
1958	31,499,437	24,435,657	820,190	6,123,948	119,640
1968[1]	113,958,321	81,611,832	5,489,224	26,450,644	406,621
Fiscal year September 1977	187,680,554	137,487,862	13,072,742	35,382,503	1,737,447
Coach plus economy revenue passenger-miles (000):					
1938 (Coach service inaugurated late in 1948)					
1948	N/A	4,835		N/A	
1958	14,176,333	10,044,656	31,104	4,100,573	
1968[1]	91,331,074	66,558,092	1,187,851	23,585,131	
Fiscal year September 1977	160,258,087	126,790,437		32,892,725	574,925

Revenue passenger originations/enplanements (000):					
1938	1,036	1,168		109	29
1948	14,541	12,324	426	1,447	344
1958	49,169	39,515	4,265	4,428	961
1968[1]	150,151	108,986	22,177	15,728	3,260
Fiscal year September 1977	234,151	167,906	40,659	17,564	8,022
Overall aircraft revenue miles (000):					
1938	76,136	68,543		7,043	550
1948	440,876	316,276	16,279	98,473	9,848
1958	972,987	700,585	72,253	172,713	27,436
1968[1]	2,145,972	1,486,460	211,203	408,136	40,174
Fiscal year 1977	2,386,157	1,728,896	288,333	294,940	73,988
Total passenger revenues (000):					
1938	29,296	24,336		4,435	525
1948	497,121	334,736	4,667	151,751	5,967
1958	1,827,811	1,362,994	56,487	395,604	12,726
1968[1]	6,221,852	4,451,341	414,732	1,309,173	46,606
Fiscal year September 1977	15,662,021	11,212,477	1,543,675	2,673,717	232,152
Coach plus economy passenger revenues (000):					
1938 (Coach service inaugurated late in 1948)					
1948	N/A	194		N/A	(4)
1958	N/A	454,308	1,509	229,179	(4)
1968[1]	N/A	3,400,030	64,950	1,096,671	(4)
Fiscal year September 1977	12,328,335	9,933,065		2,340,477	54,793
Average on-line passenger trip length (miles):					
1938	408	407		488	(4)
1948	543	474	206	1,039	(4)
1958	641	618	192	1,383	(4)
1968[1]	759	749	248	1,679	(4)
Fiscal year September 1977	802	819	322	2,014	(4)
Average available seats per aircraft:					
1938	14.2	13.9		16.9	(4)
1948	33.0	33.1	19.9	35.0	(4)
1958	57.0	59.3	24.8	63.7	(4)
1968[1]	107.1	107.8	57.7	135.6	(4)
Fiscal year September 1977	148.1	146.3	85.1	234.7	(4)

See footnotes at end of table.

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]—Continued

Item and year	Scheduled and unscheduled services of all carriers						
	All carriers	All route carriers	Domestic trunk operations	Local service carriers	International trunks	Other route carriers[2]	Supplemental carriers
Operating property and equipment ($000):							
At Dec. 31, 1938	50,158	50,158	32,956		16,453	748	
At Dec. 31, 1948	N/A	526,969	396,513	8,189	119,074	3,193	N/A
At Dec. 31, 1958	N/A	2,365,908	1,859,114	55,337	366,589	84,838	N/A
At Dec. 31, 1968[1]	N/A	10,289,957	7,935,468	661,981	1,299,247	393,261	N/A
At Dec. 31, 1976	9,805,235	9,604,481	8,580,241	669,168	(4)	355,072	200,754
Total assets ($000):							
At Dec. 31, 1938	N/A	N/A	36,032		N/A	538	N/A
At Dec. 31, 1948	N/A	704,981	484,241	12,738	204,904	3,098	N/A
At Dec. 31, 1958	N/A	2,270,375	1,707,118	56,403	408,689	98,165	N/A
At Dec. 31, 1968[1]	N/A	10,992,385	8,106,199	808,674	1,616,891	460,621	N/A
At Dec. 31, 1976	15,871,055	15,451,852	13,561,967	1,189,636	(4)	700,249	419,203
Number of aircraft available for service:							
At Dec. 31, 1938	311	311	233		73	5	
At Dec. 31, 1948	1,055	1,055	788	77	175	15	N/A
At Dec. 31, 1958	2,081	1,899	1,256	246	199	198	182
At Dec. 31, 1968[1]	2,638	2,406	1,590	427	198	191	232
At Dec. 31, 1976[6]	2,510	2,420	1,803	443	(4)	174	90
Route miles operated:							
1938	N/A	N/A	35,210		N/A	361	
1948	N/A	164,689	54,668	11,346	98,110	565	
1958	N/A	244,731	61,953	26,953	140,105	15,720	
1968[1]	N/A	286,110	72,692	41,756	153,440	18,222	
Fiscal year September 1977	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Net income or loss ($000):							
1938	N/A	N/A	−1,067		494	493	
1948	N/A	13,199	3,744	−189	9,126	518	N/A
1958	N/A	50,396	44,794	1,138	7,608	−3,144	N/A
1968[1]	227,405	210,777	126,521	−28,939	122,957	−9,762	16,628
Fiscal year September 1977	648,097	636,053	332,749	67,705	192,313	43,286	12,044
Total number of employees:							
1938	13,274	13,274	9,008		4,266		
1948	N/A	84,608	57,263	2,363	24,315	667	N/A
1958	N/A	152,510	107,857	9,308	29,850	5,495	2,522
1968[1]	299,935	294,133	212,133	25,580	47,262	9,152	5,808
Fiscal year September 1977	315,125	310,674	267,418	31,580	(7)	11,676	4,451
Overall operating revenues ($000):							
1938	57,997	57,997	42,250		15,153	594	
1948	N/A	691,878	413,353	14,937	249,840	13,748	N/A
1958	2,309,166	2,243,964	1,513,250	94,993	530,881	104,840	65,202
1968[1]	8,087,427	7,761,773	5,039,441	501,308	1,958,327	262,697	325,654
Fiscal year September 1977	19,704,385	19,212,228	12,997,992	1,811,742	3,630,629	771,865	492,157
Overall operating expenses ($000):							
1938	58,165	58,165	43,317		14,303	545	
1948	N/A	674,992	411,278	14,507	235,890	13,317	N/A
1958	2,205,914	2,136,452	1,418,125	93,335	519,604	105,388	69,462
1968[1]	7,522,233	7,239,548	4,719,364	510,518	1,748,327	261,339	282,685
Fiscal year September 1977	188,611,172	18,389,466	12,507,997	1,710,941	3,429,384	741,144	471,706
Operating profit or loss ($000):							
1938	−168	−168	−1,067		850	49	
1948	N/A	16,886	2,075	430	13,950	431	N/A
1958	103,252	107,512	95,125	1,658	11,277	−548	−4,260
1968[1]	565,194	522,225	320,077	−9,210	210,000	1,358	42,969
Fiscal year September 1977	843,214	822,762	489,995	100,801	201,245	39,721	20,452

[1] Data for 1968 and subsequent years are 12 months ending June.

[2] "Other route carriers" comprises the helicopters, intra-Alaska, intra-Hawaii, Aspen, Wright, and all-cargo system.

[3] Excludes the supplemental carriers.

[4] Computation not meaningful because of diverse carriers included.

[5] Included with domestic.

[6] Excludes those owned aircraft on lease to another carrier.

[7] International trunks employee data are included with domestic. Data for all groups are at June 1977 since data for September 1977 are not available at time of printing.

Source: "Air Carrier Traffic Statistics" and "Air Carrier Financial Statistics."

Table 18.—AIR CARRIER INDEBTEDNESS (LONG- AND SHORT-TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1976[1 2]

[In thousands]

Carriers and carrier groups	Total debt	Insurance companies					
		Total insurance companies	Prudential Insurance Company of America	Metropolitan Life Insurance Company	Equitable Life Assurance Society of the United States	Aetna Life Insurance Company[3]	Other insurance companies
Trunks:							
American	$436,465	$252,916	68,541	138,875	23,000	.....	22,500
Braniff	247,700	61,799	.....	.....	.....	.....	61,799
Continental	351,572	71,300	.....	.....	.....	20,028	51,272
Delta	343,363	40,000	.....	.....	.....	1,350	38,650
Eastern	686,054	136,688	17,650	.....	67,838	.....	51,200
National	104,341	.....	.....	.....	.....	.....	.....
Northwest	125,000	6,913	2,625	.....	.....	394	3,894
Pan American	752,861	269,090	64,312	63,942	16,639	15,566	108,631
Trans World	882,615	217,744	24,354	26,054	26,054	36,072	105,210
United	585,504	498,026	166,931	116,266	38,338	14,335	162,156
Western	138,220	51,500	44,675	.....	.....	.....	6,825
Total	4,653,695	1,605,976	389,088	345,137	171,869	87,745	612,137
Local service:							
Allegheny	168,442	15,977	.....	.....	.....	8,633	7,344
Frontier	30,705	.....	.....	.....	.....	.....	.....
Hughes Air West	77,890	.....	.....	.....	.....	.....	.....
North Central	82,338	10,081	.....	.....	.....	3,360	6,721
Ozark	47,545	6,679	.....	.....	.....	3,643	3,036
Piedmont	70,542	21,000	.....	.....	.....	8,535	12,465
Southern	33,871	.....	.....	.....	.....	.....	.....
Texas International	32,009	5,591	.....	.....	.....	5,591	.....
Total	543,342	59,328	.....	.....	.....	29,762	29,566

Alaskan	57,922						
Hawaiian	39,452	10,225				600	9,625
Other certificated route carriers[4]	12,483	1,190					1,190
All-cargo:							
Airlift	7,579						
Flying Tiger	114,984	48,796			20,833	7,916	20,047
Seaboard World	69,414	10,091					10,091
Total	191,977	58,887			20,833	7,916	30,138
Supplementals:							
Capitol	817						
Evergreen	306						
McCulloch	820						
Modern	([5])						
Overseas National	21,237						
Trans International[6]	64,606						
World	3,124	624					624
Total	90,910	624					624
Grand total	5,589,781	1,736,230	389,088	345,137	192,702	126,023	683,280

See footnotes at end of table 24.

Table 19.—AIR CARRIER INDEBTEDNESS (LONG- AND SHORT-TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1976[1,2]

[In thousands]

Carriers and carrier groups	Banks					
	Total banks	Chase Manhattan Bank[7]	Irving Trust Company[8]	Citibank of New York[9]	Bank of America NTSA	Other banks[10]
Trunks:						
American	$762					$762
Braniff	61,717	$32,320		$3,150		26,247
Continental	171,066	153,709				17,357
Delta	227,500			34,798	$15,052	177,650
Eastern	206,247	44,445	$10,777	27,974	2,062	120,989
National	85,000	8,500	7,438	9,988	12,538	46,536
Northwest	118,000	16,048		16,048		85,904
Pan American	21,657	3,961		737		16,959
Trans World	302,669		182,000			120,669
United	6,400					6,400
Western	19,500				19,500	
Total	1,220,518	258,983	200,215	92,695	49,152	619,473
Local service:						
Allegheny	66,226	26,187				40,039
Frontier						
Hughes Air West	68,855				39,240	29,615
North Central	68,212			28,785		39,427
Ozark	19,873	13,610				6,263
Piedmont	12,426	6,213				6,213
Southern	24,335					24,335
Texas International	17,525	5,001				12,524
Total	277,452	51,011		28,785	39,240	158,416
Alaskan	48,120					48,120
Hawaiian	23,660	2,834				20,826
Other certificated route carriers[4]	6,733					6,733
All-cargo:						
Airlift						
Flying Tiger	2,479				1,905	574
Seaboard World	23,685	12,935				10,750
Total	26,164	12,935			1,905	11,324
Supplementals:						
Capitol	817				817	
Evergreen	267					267
McCulloch						
Modern						
Overseas National	12,500	12,500				
Trans International[6]	63,194			10,111	24,014	29,069
World						
Total	76,778	12,500		10,111	24,831	29,336
Grand total	1,679,425	338,263	200,215	131,591	115,128	894,228

See footnotes at end of table 24.

Table 20.—AIR CARRIER INDEBTEDNESS (LONG- AND SHORT-TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1976[1 2]

[In thousands]

Carriers and carrier groups	Total airline suppliers	Other identified				Unidentified as to holder[1]
		Total other identified	Lazard Brothers and Company Ltd.	Cede and Company[11]	Other identified holders[12]	
Trunks:						
American	$14,929	$106,600	.....	$18,939	$87,661	$61,258
Braniff	.....	79,112	.....	10,785	68,327	45,072
Continental	69,622	37,340	.....	.....	37,340	2,245
Delta	2,473	62,605	54,823	2,076	5,706	10,785
Eastern	.....	150,297	101,112	28,529	20,656	192,822
National	18,954	.....	.....	.....	.....	387
Northwest	.....	88	.....	.....	88	.....
Pan American	.....	232,688	.....	82,155	150,533	229,426
Trans World	.....	237,807	57,629	83,269	96,909	124,395
United	.....	71,854	.....	.....	71,854	9,224
Western	15,362	23,672	.....	2,721	20,951	28,185
Total	121,340	1,002,063	213,564	228,474	560,025	703,799
Local service:						
Allegheny	30,544	29,627	.....	.....	29,627	26,068
Frontier	.....	8,224	.....	4,944	3,280	22,481
Hughes Air West	6,000	172	.....	.....	172	2,863
North Central	.....	.....	.....	.....	.....	4,045
Ozark	.....	5,541	.....	3,494	2,047	15,452
Piedmont	1,663	17,796	.....	.....	17,796	17,657
Southern	.....	4,394	.....	.....	4,394	5,142
Texas International	5,591	1,475	.....	.....	1,475	1,826
Total	43,798	67,229	.....	8,438	58,791	95,534
Alaskan	.....	2,409	.....	.....	2,409	7,394
Hawaiian	.....	5,567	.....	.....	5,567	.....
Other certificated route carriers[4]	.....	4,459	.....	.....	4,459	100
All-cargo:						
Airlift	.....	.....	.....	.....	.....	7,579
Flying Tiger	3,120	41,431	.....	514	40,917	19,158
Seaboard World	13,000	4,155	.....	.....	4,155	18,483
Total	16,120	45,586	.....	514	45,072	45,220
Supplementals:						
Capitol	.....	.....	.....	.....	.....	.....
Evergreen	38	.....	.....	.....	.....	.....
McCulloch	.....	820	.....	.....	820	.....
Modern	.....	.....	.....	.....	.....	.....
Overseas National	6,660	2,077	.....	.....	2,077	.....
Trans International[6]	.....	1,411	.....	.....	1,411	.....
World	.....	2,500	.....	.....	2,500	.....
Total	6,698	6,808	.....	.....	6,808	.....
Grand total	187,956	1,134,121	213,564	237,426	683,131	852,047

See footnotes at end of table 24.

Table 21.—PERCENT OF INDIVIDUAL CARRIER'S DEBT HELD BY VARIOUS HOLDING GROUPS AS OF DECEMBER 31, 1976

Carriers and carrier groups	Total debt	Total banks	Total insurance companies	Total airline suppliers	Total other identified[12]	Total unidentified[1]
Trunks:						
American	100.0	0.2	57.9	3.4	24.4	14.1
Braniff	100.0	24.9	25.0		31.9	18.2
Continental	100.0	48.7	20.3	19.8	10.6	.6
Delta	100.0	66.3	11.6	.7	18.2	3.1
Eastern	100.0	30.1	19.9		21.9	28.1
National	100.0	81.5		18.2		.3
Northwest	100.0	94.4	5.5		.1	
Pan American	100.0	2.9	35.7		30.9	30.5
Trans World	100.0	34.3	24.7		26.9	14.1
United	100.0	1.1	85.1		12.3	1.5
Western	100.0	14.1	37.3	11.1	17.1	20.4
Total	100.0	26.2	34.5	2.6	21.5	15.1
Local service:						
Allegheny	100.0	39.3	9.5	18.1	17.6	15.5
Frontier	100.0				26.8	73.2
Hughes Air West	100.0	88.4		7.7	.2	3.7
North Central	100.0	82.8	12.2			4.9
Ozark	100.0	41.8	14.0		11.7	32.5
Piedmont	100.0	17.6	30.0	2.3	25.2	25.0
Southern	100.0	71.8			13.0	15.2
Texas International	100.0	54.8	17.5	17.5	4.6	5.7
Total	100.0	51.1	10.9	8.0	12.4	17.6
Alaskan	100.0	83.1			4.2	12.7
Hawaiian	100.0	60.0	25.9		14.1	
Other certificated route carriers[4]	100.0	53.9	9.5		35.7	.8
All-cargo:						
Airlift	100.0					100.0
Flying Tiger	100.0	2.2	42.4	2.7	36.0	16.7
Seaboard World	100.0	34.1	14.5	18.7	6.0	26.6
Total	100.0	13.6	30.7	8.4	23.7	23.6
Supplementals:						
Capitol	100.0	100.0				
Evergreen	100.0	87.3		12.4		
McCulloch	100.0				100.0	
Modern	[5]					
Overseas National	100.0	58.9		31.4	10.0	
Trans International[6]	100.0	97.8			2.2	
World	100.0		20.0		80.0	
Total	100.0	84.5	.7	7.4	7.5	
Grand total	100.0	30.0	31.1	3.4	20.3	15.2

See footnotes at end of table 24.

Table 22.—TOP 25 HOLDERS OF LONG- AND SHORT-TERM DEBT, DECEMBER 31, 1976

[In thousands]

Holder	Total debt	Percent of debt held	Number of carriers
Prudential Insurance Company of America	389,088	7.0	7
Metropolitan Life Insurance Company	345,137	6.2	4
Chase Manhattan Bank	338,263	6.1	13
Cede and Company [11]	237,426	4.2	10
Lazard Brothers	213,564	3.8	3
Irving Trust Company	200,215	3.6	3
Equitable Life Assurance Society of the United States	192,702	3.4	6
Citibank of New York	131,591	2.4	8
Aetna Life Insurance Company	126,023	2.3	13
Bank of America NTSA	115,128	2.1	8
John Hancock Mutual Life Insurance Company	94,520	1.7	4
Continental Illinois National Bank and Trust Company	86,863	1.6	6
Travelers Insurance Company	86,134	1.5	8
Connecticut General Life Insurance Company	79,417	1.4	12
McDonnell-Douglas Corporation	70,720	1.3	7
Manufacturers Hanover Trust	69,845	1.2	6
Boeing Company	69,086	1.2	6
First National Bank of Chicago	69,044	1.2	5
American Fletcher National Bank and Trust Company	64,565	1.2	4
Morgan Guaranty Trust Company of New York	60,963	1.1	7
New York Life Insurance Company	54,420	1.0	3
Bankers Trust Company of New York	47,650	.9	5
Reing and Company [11]	43,433	.8	5
Northwestern Mutual Life Insurance Company	39,936	.7	7
Mutual Life Insurance Company of New York	37,290	.7	3
All others	2,326,758	41.6	39
Total	5,589,781	100.0	

See footnotes at end of table 24.

Table 23.—MAJOR HOLDERS OF INDIVIDUAL CARRIER'S DEBT, DECEMBER 31, 1976

Carrier	Name of holder	Amount held (000)	Percent of carrier debt
Trunks:			
American	Metropolitan Life Insurance Company	$138,875	31.8
Braniff	Chase Manhattan Bank	32,320	13.0
Continental	Chase Manhattan Bank	153,709	43.7
Delta	Lazard Brothers and Company Ltd	54,823	16.0
Eastern	Lazard Brothers and Company Ltd	101,112	14.7
National	Chemical Bank of New York	23,375	22.4
Northwest	Chase Manhattan Bank/Bankers Trust Company/Citibank of New York [13]	16,048	12.8
Pan American	Cede and Company [11]	82,155	10.9
Trans World	Irving Trust Company	182,000	20.6
United	Prudential Insurance Company of America	166,931	28.5
Western	Prudential Insurance Company of America	44,675	32.3
Local service:			
Allegheny	Chase Manhattan Bank	26,187	15.5
Frontier	Cede and Company [11]	4,944	16.1
Hughes Air West	Bank of America NTSA	39,240	50.4
North Central	Citibank of New York	28,785	35.0
Ozark	Chase Manhattan Bank	13,610	28.6
Piedmont	U.S. Aircraft Sales Corporation	17,796	25.2
Southern	First National Bank of Chicago	24,335	71.8
Texas International	U.S. Trust Company of New York	10,953	34.2
Other certificated route carriers:			
Airlift	[14]		
Air Micronesia	[15]		
Air Midwest	Union National Bank, Wichita, Kans	1,310	89.1
Air New England	Delta Air Lines	3,703	48.9
Alaska	First National Bank of Chicago [3]	12,531	43.2
Aloha	Rainier National Bank, Seattle, Wash	3,490	42.9
Aspen	Central Bank and Trust Company	1,000	100.0
Chicago Helicopter	[16]		
Flying Tiger	Equitable Life Assurance Society of the United States	20,833	18.1
Hawaiian	American Fletcher National Bank and Trust Company	12,752	40.7
Kodiak	National Bank of Alaska, Anchorage, Alaska	429	43.1
Munz	[14]		
New York Airways	John H. Whitney	130	21.8
Reeve	National Bank of Alaska, Anchorage, Alaska	390	100.0
SFO Helicopter	[17]		
Seaboard World	Chase Manhattan Bank	12,935	18.6
Wien Air Alaska	Seattle First National Bank	11,972	43.9
Wright	Union Commerce Bank	1,625	88.0
Supplementals:			
Capitol	Bank of America NTSA	817	100.0
Evergreen	First National Bank of Missoula	267	87.4
McCulloch	FGH Financial Corporation	820	100.0
Modern	[5]		
Overseas National	Chase Manhattan Bank	12,500	58.9
Trans International [6]	Bank of America NTSA	24,014	37.2
World	California Leasing Associates	2,500	80.0

See footnotes at end of table 24.

Table 24.—THE IMPORTANCE OF CONVERTIBLE DEBT # AS OF DECEMBER 31, 1976, BY INDIVIDUAL CARRIER

Carriers and carrier groups	Total debt and equity (000) [18]	Total debt including convertible debt: Total (000)	Total debt including convertible debt: As a percent of total debt and equity	Convertible debt: Total (000)	Convertible debt: As a percent of total debt and equity	Convertible debt: As a percent of total debt	Total debt excluding convertible debt as a percent of total debt and equity
Trunks:							
American	$1,046,539	$436,465	41.7	$172,370	16.5	39.5	25.2
Braniff	436,502	247,700	56.7				56.7
Continental	508,211	351,572	69.2	46,400	9.1	13.2	60.0
Delta	914,904	343,363	37.5	19,067	2.1	5.6	35.4
Eastern	1,024,668	686,054	67.0	125,000	12.1	18.2	54.8
National	295,494	104,341	35.3				35.3
Northwest	790,744	125,000	15.8				15.8
Pan American	1,105,013	752,861	68.1	372,509	33.7	49.5	34.4
Trans World	1,259,715	882,615	70.1	249,988	19.8	28.3	50.2
United	1,232,197	585,504	47.5				47.5
Western	255,320	138,220	54.1	29,555	11.6	21.4	42.6
Total	8,869,307	4,653,695	52.5	1,014,889	11.4	21.8	41.0
Local service:							
Allegheny	237,304	168,442	71.0	37,089	15.6	22.0	55.4
Frontier	87,035	30,705	35.3	30,705	35.3	100.0	.0
Hughes Air West	176,270	77,890	44.2				44.2
North Central	139,304	82,338	59.1	690	.5	.8	58.6
Ozark	75,962	47,545	62.6	20,993	27.6	44.2	35.0
Piedmont	94,503	70,542	74.6	17,657	18.7	25.0	56.0
Southern	47,116	33,871	71.9	9,307	19.8	27.5	52.1
Texas International	38,784	32,009	82.5				82.5
Total	896,278	543,342	60.6	116,441	13.0	21.4	47.6
Other certificated route carriers:							
Airlift	6,125	7,579	123.7	7,579	123.7	100.0	.0
Air Micronesia	256						
Air Midwest	1,116	1,469	131.6				131.6
Air New England	9,259	7,569	81.7				81.7

See footnotes at end of table 24.

Table 24.—THE IMPORTANCE OF CONVERTIBLE DEBT # AS OF DECEMBER 31, 1976, BY INDIVIDUAL CARRIER—Continued

Carriers and carrier groups	Total debt and equity (000)[18]	Total debt including convertible debt: Total (000)	Total debt including convertible debt: As a percent of total debt and equity	Convertible debt: Total (000)	Convertible debt: As a percent of total debt and equity	Convertible debt: As a percent of total debt	Total debt excluding convertible debt as a percent of total debt and equity
Other certificated route carriers—Continued							
Alaska	44,714	28,988	64.8	1,842	4.1	6.4	60.7
Aloha	16,271	8,136	50.0				50.0
Aspen	2,067	1,000	48.4				48.4
Chicago Helicopter[16]							
Flying Tiger	259,438	114,984	44.3				44.3
Hawaiian	42,974	31,316	72.9	2,979	6.9	9.5	65.9
Kodiak	901	996	110.5				110.5
Munz	409	285	70.0				70.0
New York Airways	(1,230)	597	@	497	@	83.2	@
Reeve	7,094	390	5.5				5.5
SFO Helicopter[17]							
Seaboard World	111,033	69,414	62.5	20,676	18.6	29.8	43.9
Wien Air Alaska	50,187	27,264	54.3				54.3
Wright	374	1,847	493.9				493.9
Total	550,988	301,834	54.8	33,573	6.1	11.1	48.7
Supplementals:							
Capitol	13,627	817	6.0				6.0
Evergreen	2,567	306	11.9				11.9
McCulloch	(1,087)	820	@				@
Modern	(15,948)	(5)	@				@
Overseas National	47,400	21,237	44.8	1,780	3.7	8.3	41.1
Trans International[6]	131,349	644,606	49.2	1,411	1.1	2.2	48.1
World	110,380	3,124	2.8				2.8
Total	288,288	90,910	31.5	3,171	1.1	3.5	30.4
Grand total	10,604,861	5,589,781	52.7	1,168,074	11.0	20.9	41.7

See footnotes at end of table 24.

FOOTNOTES FOR TABLES 18 THROUGH 24

[1] Under Board reporting requirements, only debt issues of 5 percent of a carrier's total outstanding debt must be reported in detail. Of the debt reported in detail, identification is required only of those holding 5 percent of the issue or $500,000, whichever is smaller. Thus, "Unidentified" represents the difference between total debt (Accounts 2010 and 2210) per schedule B–1 and debt identified by holder per schedule B–46.

[2] Major lenders include those holding air carrier debt of $100 million or more.

[3] The First National Bank of Chicago holds $12,531,230 as trustee for Aetna Life Insurance Company and the Ranier National Bank.

[4] Includes Air Micronesia, Air Midwest, Air New England, Aspen, New York Airways, and Wright.

[5] Modern had no nontrade debt as of Dec. 31, 1976, and is soon to be acquired by Eugene Horbach to become Modern Airways, Inc.

[6] Trans International merged with Saturn Airways as of Nov. 30, 1976, approved via Board order 76–11–151.

[7] In addition to amount listed, $40,899,100 is held by others as nominee for the Chase Manhattan Bank.

[8] In addition to amount listed, $7,471,000 is held by others as nominee for the Irving Trust Company.

[9] In addition to amount listed, $11,807,400 is held by others as nominee for the City Bank of New York.

[10] Included in "other banks" is Morgan Guaranty Company. Morgan Guaranty holds $60,962,571, and an additional $93,036,300 is held by others for Morgan.

[11] Major nominee companies.

[12] Includes brokers, investment bankers, pension funds, trusts, air carriers, corporate and individual investor holdings, both individual holdings and holdings as trustee and/or as agent.

[13] Each bank holds $16,048,000.

[14] Airlift and Munz had no identified debt holders.

[15] Air Micronesia had no nontrade debt as of Dec. 31, 1976.

[16] Chicago has suspended services indefinitely as of Oct. 13, 1976, and has been granted a waiver from submitting the CAB form 41 until services are resumed under its certificates.

[17] SFO's certificate of public convenience and necessity was revoked as of Dec. 22, 1976, and as a result SFO did not file a B–46 for December 1976.

[18] Total of Accounts 2010, 2210, and 2295.

Convertible debt or debt with warrants attached.

@ Calculation cannot be made because of negative or zero data.

NOTE.—Totals may not add due to rounding.

Source: CAB form 41, schedules B–1 and B–46.

Table 25.—U.S. CERTIFICATED CARRIERS

Airlines (domestic)	Original authorization	Original points	Original route mileage	Points Sept. 30, 1977[1]	Route mileage Sept. 30, 1977
Trunkline carriers:					
Alaska Airlines	July 24, 1951	3	1,665	9	4,906
American Airlines	Aug. 22, 1938	59	6,826	49	42,884
Braniff Airways	Aug. 22, 1938	21	2,543	39	23,269
Continental Air Lines	Aug. 22, 1938	8	624	33	27,673
Delta Air Lines	Aug. 22, 1938	13	1,091	79	46,327
Eastern Air Lines	Aug. 22, 1938	42	5,276	71	42,456
National Airlines	Aug. 22, 1938	13	871	36	8,425
Northwest Airlines	Aug. 22, 1938	21	2,507	35	30,927
Pan American	Jan. 3, 1977	2	632	2	632
Trans World Airlines	Aug. 22, 1938	27	5,749	40	28,099
United Air Lines	Aug. 22, 1938	38	5,321	88	48,124
Western Air Lines	Aug. 22, 1938	12	1,237	38	27,054
Local service, intra-Alaskan, and Hawaiian carriers:					
Air Midwest	Nov. 14, 1976	11	896	11	896
Air New England	Jan. 24, 1975	13	797	13	797
Alaska Airlines	Dec. 5, 1942	[2]	[2]	43	2,932
Allegheny Airlines	Jan. 11, 1949	22	1,954	85	6,888
Aloha Airlines	Apr. 18, 1949	8	402	8	494
Frontier Airlines	Mar. 28, 1946	38	3,110	102	16,285
Hawaiian Airlines	Aug. 22, 1938	6	356	9	400
Hughes Air Corp., (d.b.a.) Hughes Airwest	Apr. 17, 1968	77	9,376	61	5,916
Kodiak-Western Alaska Airlines	Sept. 8, 1960	21	331	45	1,250
Munz Northern Airlines	Jan. 1, 1976	6	291	6	291
North Central Airlines	Oct. 3, 1947	35	1,704	72	6,863
Ozark Air Lines	Sept. 26, 1950	38	2,488	51	6,195
Pan American World Airways	Aug. 22, 1938	60	25,144	14	23,309
Piedmont Aviation	Dec. 12, 1947	28	1,913	49	3,909
Reeve Aleutian Airways	Apr. 8, 1948	[2]	[2]	19	3,281
Southern Airways	Feb. 8, 1948	23	1,332	51	9,089
Texas International Airlines	Nov. 14, 1946	28	1,824	47	5,560
Wien Air Alaska	Dec. 5, 1942	[2]	[2]	121	8,965
Helicopters:					
Chicago Helicopter Airways	Jan. 23, 1949	41	308	3	42
New York Airways	Mar. 12, 1952	47	156	5	139
SFO Helicopter	Nov. 26, 1963	9	116	[3]	[3]
Cargo:					
Airlift International	Jan. 20, 1956	25	3,822	21	10,656
Flying Tiger	Aug. 12, 1949	43	[2]	15	3,950
Certificated air taxi:					
Aspen	Mar. 9, 1967	2	112	2	112
Wright	Mar. 16, 1972	2	92	3	215

See footnotes at end of table.

Table 25.—U.S. CERTIFICATED CARRIERS—Continued

Airlines (international)	Original authorization	Original points	Original route mileage	Points Sept. 30, 1977[1]	Route mileage Sept. 30, 1977
Air Micronesia	Oct. 5, 1971	17	14,529	17	13,114
Alaska Airlines, Inc.	Feb. 1, 1968	2	115	4	205
Allegheny Airlines	May 24, 1967	2	115	9	11,403
American Airlines	Apr. 16, 1942	5	1,539	33	21,855
Braniff Airways	May 22, 1946	16	7,591	26	32,300
Continental Air Lines	Oct. 5, 1971	17	14,529	17	13,114
Delta Air Lines	May 22, 1946	11	3,693	20	8,855
Eastern Air Lines	May 22, 1946	4	1,957	51	23,569
Frontier Airlines	May 13, 1975	3	486	9	4,182
Hughes Air Corp., (d.b.a.) Hughes Airwest	Apr. 17, 1968	8	1,393	12	3,964
National Airlines	July 21, 1951	3	439	4	9,125
North Central Airlines	Nov. 5, 1960	3	262	5	699
Northwest Airlines	July 13, 1946	16	14,641	26	23,588
Pan American World Airways	Aug. 22, 1938	[4]60	25,144	149	242,081
Southern Airways	Aug. 14, 1976	2	452	2	452
Texas International Airlines	Aug. 17, 1966	5	637	7	1,404
Trans World Airlines	July 5, 1945	[4]22	20,539	58	78,196
United Air Lines	June 29, 1946	2	128	4	561
Western Air Lines	May 22, 1946	2	449	13	6,642
Wien Air Alaska	Oct. 9, 1963	5	1,375	5	1,375
Cargo:					
Flying Tiger	July 29, 1969	18	10,991	20	13,884
Seaboard	Aug. 15, 1955	[4]19	14,825	44	16,293

[1] Unduplicated points. Includes points authorized by temporary exemption.
[2] Not available.
[3] Certificate canceled on Dec. 22, 1976.
[4] Approved service plan.

Supplemental air carriers
Capitol International Airways, Inc.
Evergreen International Airlines, Inc.
McCulloch International Airlines, Inc.
Modern Air Transport, Inc.[1]
Overseas National Airways, Inc.
Rich International Airlines, Inc.
Southern Air Transport, Inc.
Trans International Airlines, Inc.
World Airways, Inc.
Zantop International Airlines, Inc.

[1] Certificates of Modern Air Transport, Inc., transferred to Modern Airways, Inc.

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